CITY OF ALBUQUERQUE

Five-Year Forecast
Fiscal Year 2017-2021

December 2016

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EXECUTIVE SUMMARY

The Five-Year Forecast estimates future revenues and expenditures for the General Fund and those funds subsidized by the General Fund for the current fiscal year through fiscal year 2021. The purpose of this forecast is to identify key trends in revenues and expenditures and to provide information about the financial landscape anticipated over the next few years. This report is divided into seven sections: an Executive Summary, Economic Outlook, Revenue Outlook, Expenditure Outlook, Alternative Scenarios, Revenue History, and Accuracy of the Revenue Estimates. The information contained in this forecast is based on data available through December 2016. The executive summary discusses only the baseline scenario. The optimistic and pessimistic scenarios have the same key assumptions as the baseline but are driven by economic assumptions and different inflationary factors. As the FY/18 Budget is developed, revenue and expenditure projections will be updated based on more current information.

Fiscal Year 2017

For FY/17, the original General Fund appropriation was $526.4 million which included $13.5 million of one-time appropriations. The revised budget in this forecast reflects the budget as amended by Council totaling $529.9 million. The revision includes $3.5 million in re-appropriated encumbrances – commitments on contracts entered into but not fully expended - from the prior year. The assumption for this forecast is that departments spend their full appropriations. The revised revenue estimate for FY/17 is $511.9 million, about $3.5 million below the original budget estimate - $3.1 million of which is recurring. The major difference is a reduction in Gross Receipt Tax (GRT) revenues based on how FY/16 ended and a lower growth rate projection for FY/17 – revised from 3.0% to 2.3%. The combination of lower than expected revenue and no reversion leaves a $2.8 million deficit, which will have to be dealt with in the coming months.

Fiscal Year 2018

The revenue estimates may change over the next few months depending on the outcome of the next couple of monthly GRT revenue distributions from the State. Should the revenue estimates hold or worsen, the assumptions regarding expenditures will have to be revised in order to present a balanced budget for FY/18. Without curbing expenses, this forecast reflects an overall General Fund balance deficit of $23.8 million, $9.3 million of which is recurring.

Because forecasted revenues are lower for FY/17 and because expenditures are much closer to appropriations both in FY/16 and revised FY/17, a significant reduction was made in available non-recurring funding for FY/18 and beyond. It is assumed the impact would be on non-recurring contracts for special events, economic development, and social services. Only the costs of compliance with the DOJ settlement agreement, the risk recovery funding, and re-payment of property taxes to the Metropolitan Redevelopment Fund remain in the out years of this forecast.

The expenditure forecast for FY/18 includes most of the known cost increases using the best information available at this time. The net effect results in a forecasted budget of $545.5 million of which $12.4 million is non-recurring. This would be a $15.7 million or a 2.9% increase over the revised FY/17 Budget. Assumptions include $7.3 million for operating new capital projects coming-on-line, $3.1 million for a 1% across-the-board pay increase for city workers, $1.6 million in APD representing a 2% reduction in Salary Savings to adjust for lower attrition and an expectation of additional cadet graduates, $3.3 million reflecting a 7.7% increase in health care costs, $1.5 million for general and runoff elections, and $1 million to cover additional water charges for Parks. Additionally, $3.1 million is added for Risk charges made up of a 3.1% increase in underlying costs plus additional recovery money for recent settlements and reserve adjustments. Finally, $1.1 million is included as a non-recurring potential re-payment to HUD for prior year grant findings. Most other cost increases are due to inflation.

The forecast includes the majority of known funding needs, some that will have to be scaled back but addressed in FY/18 and some that will likely be pushed out to later years as choices are made on which needs take priority. It is also possible that some of these early estimated costs are lowered in the coming months with new information.

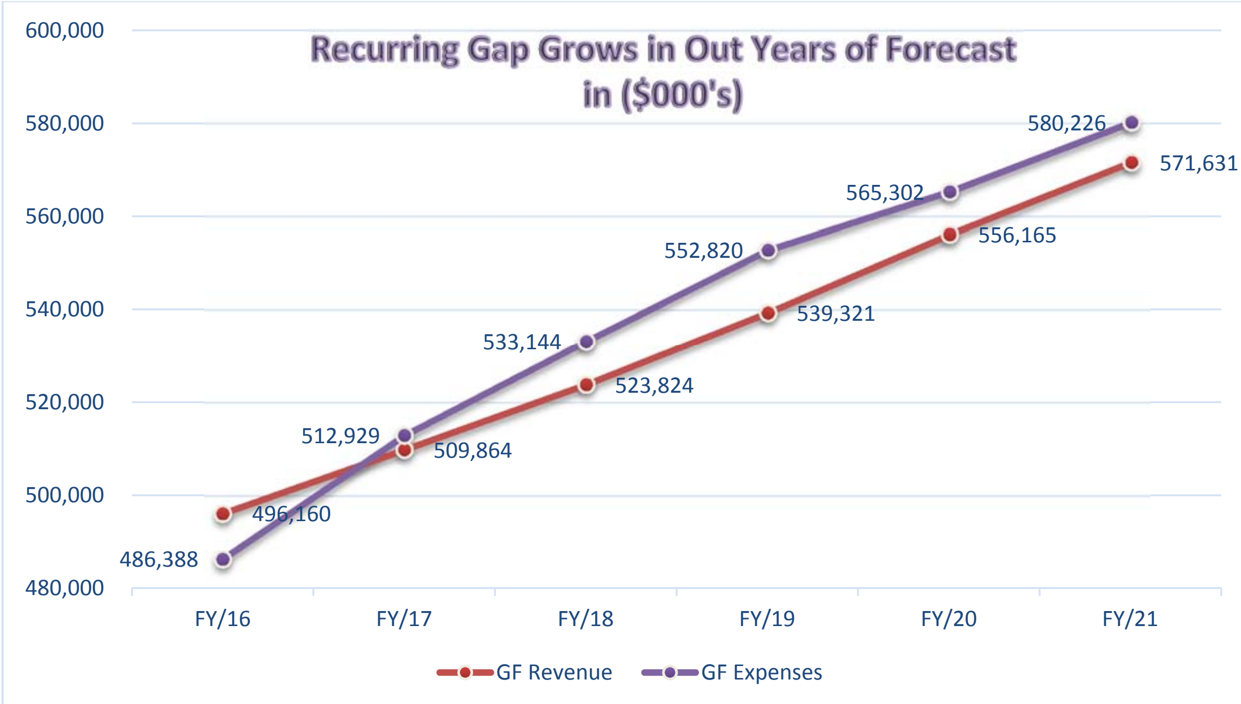
Regardless, the projected gap will be closed before the FY/18 Proposed Budget is submitted to the City Council on April 1, 2017.

Fiscal Years 2019 – 2021

Most of the underlying assumptions in FY/18 are carried forward in the out years of the forecast period. For example, funding for CIP coming-on-line stays in the base and is adjusted in increments as additional projects are added. Inflation factors from Global Insight are used to grow most line items with the exception of those developed in-house using local information. For instance, health care cost increases were determined by the City's Human Resources Benefits and Administration Division. They reflect annual increases averaging 7.7%. Other costs are add-factored in such as funding for a police cadet growth class of 40 officers in FY/19 and DOJ related costs tapering off beginning in FY/19 and eliminated in FY/21.

The out years of this forecast reflect a fund balance deficit that compounds with each year the budget is not brought into balance – an implausible outcome given the City's commitment to submit a structurally balanced annual budget. That said, the first year, FY/18, reflects a deficit of $23.8 million which compounds by FY/21 to $83.4 million. The recurring gap, which is most important, remains in the neighborhood of $11 million each year.

As mentioned earlier, the projected FY/18 budget deficit will be closed and therefore, the more important trend in this forecast is the comparison between recurring revenue and recurring expense. While that comparison also shows a deficit, the amounts are much more manageable ranging from $8.6 to $13.5 million. Some of the gap is driven by general inflationary factors but most of it is related to capital coming-on-line. Reductions will have to be made or efficiencies will have to be gained in order to close the gap and manage within a balanced budget in each of those out years. The following graph shows the underlying trend in recurring revenues to recurring expenses through FY/21. The deficit peaks in FY/19 at $13.5 million.


Recurring Gap Grows in Out Years of Forecast in ($000's)
600,000
580,000
560,000
540,000
520,000
500,000
480,000
486,388
496,160
512,929
509,864
533,144
523,824
552,820
539,321
565,302
556,165
580,226
571,631
FY/16
FY/17
FY/18
FY/19
FY/20
FY/21
GF Revenue
GF Expenses

A summary of the general changes in revenues and expenditures for the forecast period follows.

General Fund Revenues

The revenue projections are based on revenue received through October 2016 and forecasts of economic activity for Albuquerque and New Mexico. The local forecasts were prepared by the Bureau of Business and Economic Research at the University of New Mexico and national economic forecasts from IHS Global Insight. The City's Forecasting Advisory Committee, including experts from within and outside government, reviewed the forecasts and revenue projections prepared by City staff.

For FY/17, this forecast projects total revenue to grow by 2.2% which is $3.5 million below the original budget. The original budget estimate assumed growth in one percent (or underlying) GRT distribution at 2.4%. The $3.5 million decline is in part due to the shortfall in recurring revenue in FY/16. In the first four months of FY/17 the GRT base averaged growth of 4.0% carried entirely by the October distribution. The GRT receipts have been highly volatile with the first three months declining 1%. FY/16 was the first reduction for the hold harmless which reduces growth by approximately 0.6% in all years of the forecast. By FY/21 the total reduction in General Fund revenue is $14.1 million. Additionally there are two other expected reductions affecting growth in GRT. Tax Increment Development Districts (TIDDS), particularly the expansion of Winrock will pull GRT revenues from the City general fund, and the phase in of the manufacturing consumable GRT deductions will continue to reduce revenue. The underlying GRT growth in FY/17 is estimated at 3.5%, but is decreased by 1.2% to 2.3%, a direct result of these deductions. The effect of these deductions slows in out years where only the hold harmless phase out is affecting GRT growth.

Building permit revenues have started to increase. In FY/16 revenues from permitting exceeded the budget and the first three months of FY/17 are showing strong growth particularly in commercial construction. The FY/17 budget anticipated 10% growth, the first quarter of permit revenue increased by 28%. The budget is left at 10% growth but on a higher base. Property taxes were above the FY/16 estimate, and adjusted up in FY/17 though yield control continues to limit the revenue. Franchise fees were below estimate for FY/16, primarily due to a reduction in PNM fuel charges. Additionally low natural gas prices holds down the natural gas franchise.

The reduction in the food and medical hold harmless distribution began its 15 year phase out in FY/16. The first year of the reduction cost the City $2.2 million. To account for the one-time nature of this revenue, $2.2 million of the FY/15 GRT revenue was designated as non-recurring so that no long-term commitments were made against those dollars. That same principle is applied in the out years as the phase-out compounds. The reduction in expected annual revenue growth is about 0.6% annually. The lost revenue increases from $4.2 million in FY/17 to $14.1 million in FY/21.

General Fund Expenditures

For FY/18, the identified needs would require an increase in the recurring portion of the General Fund appropriation of 3.9% above the revised FY/17 level. The demand of recurring needs increases but only slightly in the out years of the forecast. The growth rate of recurring expenses is 3.7% in FY/19, 2.3% in FY/20, and 2.6% in FY/21. Those growth rates are about in line with the forecasted recurring revenue over the same period which implies non-inflationary cost drivers such as capital coming-on-line or expansion of staff play a more significant role in boosting expense growth. It should be noted that those costs could be offset by revenue if it were not for State reductions to the Hold Harmless distribution for Food and Medical.

In November of 2016, departments were asked for cost estimates of funding capital implementation projects (CIP) coming-on-line during this forecast period. Those costs are included in the forecast at $7.3 million in FY/18, growing to $10.5 million by FY/21 once subsidized funds are included. Significant capital projects include new streets, storm drains, park acreage, a new Fire Rescue Unit and BLS Rescue Units, the new Albuquerque Rapid Transit (ART) along Central Avenue, the new Penguin and Otter exhibits at the BioPark, maintenance costs related to new software, and costs associated with renovation of Kennel D at Animal Welfare. Those cost estimates and the years in which the projects open are shown in the last table of the Expenditure Outlook Section.

A 1% wage increase for all employees is included in the FY/18 forecast costing the General Fund and subsidized funds an additional $3.1 million. Beginning in FY/19, wages are assumed to grow based solely on the Global Insight forecast of the employment cost index, averaging 3.1% over the forecast period.

The City is self-insured and departments are assessed fair costs based on historical trends in experience and exposure for workers compensation, tort and other claims. The allocation of costs is called the Cost of Risk Assessment (CORA). Those CORA costs are expected to grow rather moderately at 3.2% in FY/18 then taper off to 2.5% by the end of the forecast period.

Beyond the normal CORA costs of Risk, the City is also collecting a “Risk Recovery”. In FY/13, a review of all claims was conducted which resulted in a significant adjustment to reserves causing a working capital deficit in the Risk Fund. That deficit is being collected over a ten-year period, which began in FY/15. The original target was $3.5 million each year for General Fund and GF subsidized funds. However, recent settlements and reserve adjustments require that amount increase by $2.3 million in order to reach the targeted cash reserves over the remaining seven years.

The City does not expect to enter into another fuel hedge at this time. Therefore, fuel costs are tied to the Global Insight growth rates of 9.9% in FY/18, lowering to 6.5% by FY/21.

FY/18 also includes funding for a general election expected to cost $900 thousand. In addition, $675 thousand is added should there be a run-off election. Also, $1.1 million is included for potential re-payment of grant monies owed to HUD related to prior year audit findings.

The cost of employee health benefits is expected to increase by 7.7% each year from FY/18 through FY/21. The cost estimates given by the City’s provider, Presbyterian Health Plan, include costs to comply with the Affordable Care Act. The City hopes to negotiate lower rates for FY/18 in the coming months. However, a conservative estimate is shown for this forecast. The 7.7% growth equates to $3.3 million in FY/18 and reaches over $4.0 million by FY/21.

Beginning in FY/12, the City began adding $200 thousand to the operating reserve as a measure of fiscal prudence. That extra reserve is continued through the term of this forecast, bringing it to two million by FY/21. This additional reserve is beyond the 1/12 minimum required under City policy. This is in compliance with an updated Administrative Instruction.

The entire General Fund Baseline summary is reflected in Table B.

TABLE B
FIVE YEAR FORECAST
GENERAL FUND - BASELINE SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES

	UNAUDITED	REVISED	FORECASTS			
	ACTUAL	BUDGET				
($000's)	FY/16	FY/17	FY/18	FY/19	FY/20	FY/21
RESOURCES:						
Recurring Revenue	496,160	509,864	523,824	539,321	556,165	571,631
% Change Recurring Revenue		2.8%	2.7%	3.0%	3.1%	2.8%
Total Non-recurring	4,782	2,021	2,325	2,422	2,529	2,626
TOTAL REVENUES	500,942	511,885	526,149	541,743	558,694	574,257
% Change Total Revenue		2.2%	2.8%	3.0%	3.1%	2.8%
BEGINNING FUND BALANCE	63,309	61,009	42,968	23,585	2,849	(16,145)
TOTAL RESOURCES	564,251	572,894	569,116	565,328	561,542	558,111
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	486,388	512,929	533,144	552,820	565,302	580,226
% Change Recurring Appropriation		5.5%	3.9%	3.7%	2.3%	2.6%
Non-recurring Exp/App:						
One-time Items	16,854	16,997	12,388	9,659	12,386	9,659
Total Non-recurring	16,854	16,997	12,388	9,659	12,386	9,659
TOTAL EXPEND/APPROP	503,242	529,926	545,532	562,479	577,688	589,885
UNADJUSTED FUND BALANCE	61,009	42,968	23,585	2,849	(16,145)	(31,774)
ADJUSTMENTS:						
Encumbrances	(3,631)	0	0	0	0	0
Unrealized Gains on Investments	(408)	(408)	(408)	(408)	(408)	(408)
Other Accounting Adjustments	(103)	(87)	(87)	(87)	(87)	(87)
TOTAL ADJUSTMENTS	(4,142)	(495)	(495)	(495)	(495)	(495)
ADJUSTED FUND BALANCE	56,867	42,473	23,090	2,354	(16,640)	(32,269)
RESERVES:						
1/12th Operating Reserve	42,381	43,867	45,461	46,873	48,141	49,157
Reserve for the Cost of Labor	500	0	0	0	0	0
Increase to Reserve	1,000	1,200	1,400	1,600	1,800	2,000
Other Reserves	0	236	0	0	0	0
TOTAL RESERVES	43,881	45,303	46,861	48,473	49,941	51,157
AVAILABLE FUND BALANCE	12,986	(2,830)	(23,771)	(46,119)	(66,581)	(83,426)
1/12th Operating Reserve	41,937	44,161	45,461	46,873	48,141	49,157
Recurring Surplus/(Deficit)	9,272	(3,065)	(9,320)	(13,499)	(9,137)	(8,595)

ECONOMIC OUTLOOK

The national economy influences the Albuquerque and New Mexico economy in a variety of ways. Interest rates affect purchasing and construction. Federal government spending affects the local economy through spending and employment at the federal agencies, the national labs and military bases. Inflation affects prices of local purchases and wages and salaries of employees.

The following is based on the October 2016 forecasts from IHS Global Insight (IHS). Along with the baseline forecast, alternative forecasts are prepared with pessimistic and optimistic scenarios. The Forecast period is FY/17 to FY/21.

Baseline Scenario

In the baseline forecast, assigned a probability of 65%, IHS Global Insight (IHS) expects annual growth of 1.7% in real GDP for FY/17. This is equal to the growth in FY/16 and down significantly from the 2.9% growth in FY/15. Growth is expected to hover just over the 2% in FY/18 to FY/21. Much of the limitation is due to ongoing international risks. These risks include; declining European economy, the weakness in the world economy, and the stronger dollar increasing imports. Consumer's confidence is expected to increase in FY/18 and remain near this level through FY/21. Real government expenditures are expected to decline slowly from FY/19 through FY/21. Nationally, total employment reached the pre-recession peak in May of 2014. Unemployment reached a peak of 9.9% in the fourth quarter of 2009 declining to 5.7% in FY/15 and remaining near 5% for the forecast period.

Inflation, as measured by the Consumer Price Index (CPI) is expected to be only 0.7% in FY/16, but increase to 1.9% in FY/17 and then increases to about 2.5% for the remainder of the forecast. The low levels were largely due to the decline in oil prices. Relatively weak wage growth and increases in productivity limit the cost of employment putting little pressure on costs. Oil prices (West Texas Intermediate) is expected to remain low in FY/17 at $47.40 per barrel and increases modestly to a high of nearly $80 a barrel in FY/21. The increase in oil prices add only modestly to the CPI. The CPI is expected at 1.9% in FY/17 and remains around 2.5% for the forecast. This level is near the Federal Reserve Bank (FRB) target of 2% as measured by the personal consumption expenditures index. The moderate inflation expectation also plays into limited increases in interest rates. IHS believes that the FRB will raise the federal funds rate modestly at the end of 2016 and continue increasing them modestly through the forecast. The rate is expected to reach .6% in FY/17 and reaching 2.8% by FY/21.

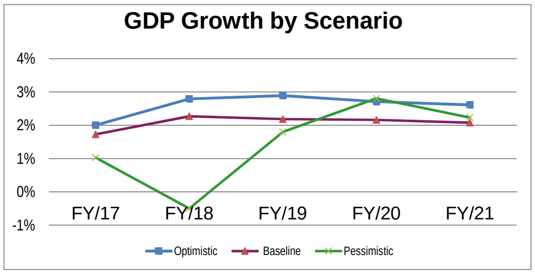
There are a number of risks in the economy including the battle in congress over spending, taxes and extension of the debt ceiling, and the impacts of the recent election. None of these are included in this forecast. The Eurozone is slowing and may fall into recession. Household formation is low limiting residential construction. The current levels of uncertainty restrain business activity and investment and hiring. Unfortunately, these high levels of uncertainty are likely to remain with us over the next few years.

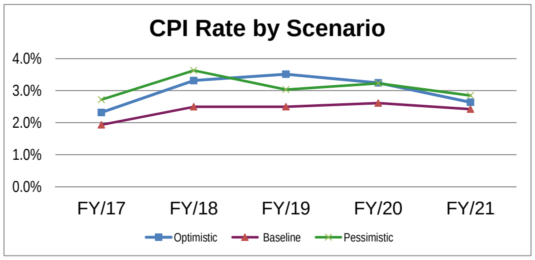
Pessimistic Scenario

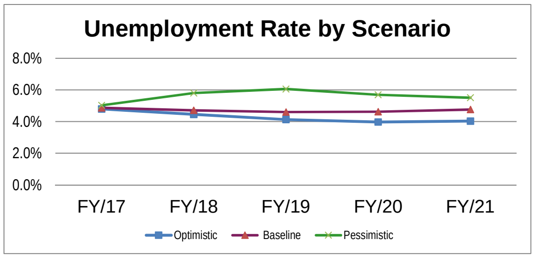
The pessimistic scenario is assigned a probability of 20%. In this scenario, the recovery stalls. A recession occurs in the first half of FY/18 the result of political risks and faltering productivity. Exports shrink due in large part to a soaring dollar. The Federal Reserve increases interest rates faster in reaction to higher price inflation. Part of inflation is due to a jump in oil prices. Political paralysis prevents any meaningful fiscal action during succeeding administrations. Amid uncertainty related to Brexit, US major trading partners manage only 1.0% average gains between 2016 and 2018; problems in emerging markets become more pervasive.

Optimistic Scenario

The optimistic scenario is assigned a probability of 15%. In this scenario IHS assumes that basically everything goes right. The Eurozone and emerging markets show strong growth helping exports. Inflation is originally above the baseline as strong demand pushes it up. The FRB reacts and starts raising interest rates faster than in the baseline. Even with higher interest rates housing starts accelerate, credit eases and unemployment drops to 4.0% in FY/19.

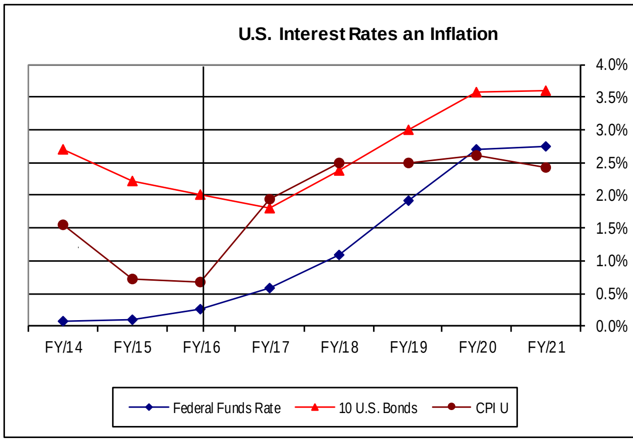


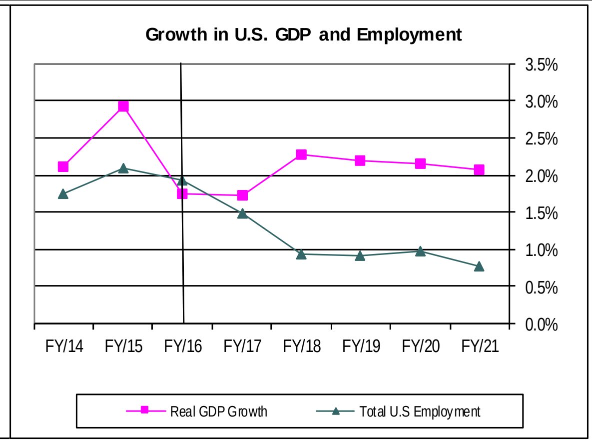


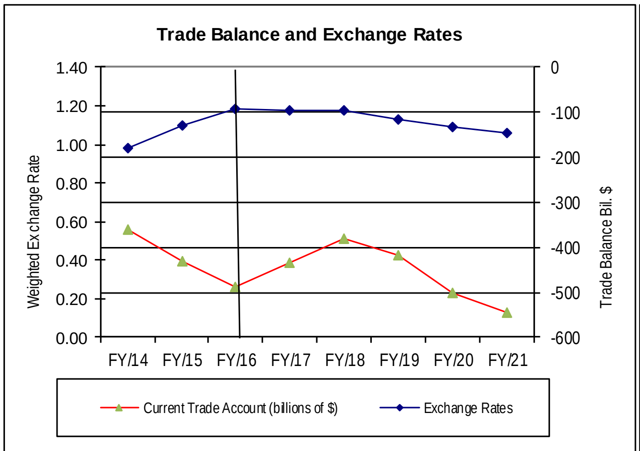


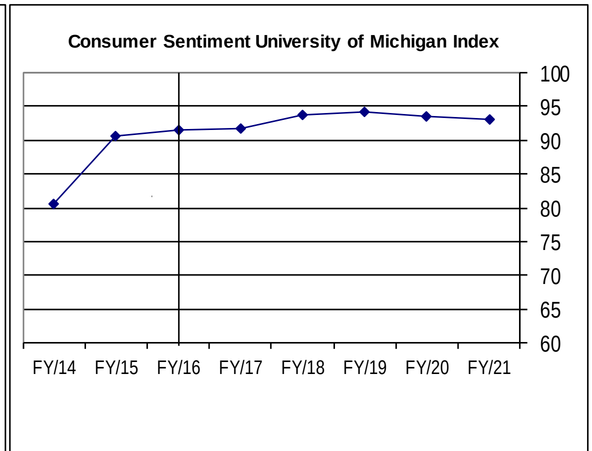
More information is available on the scenarios and a comparison in the section on Alternative Scenarios.

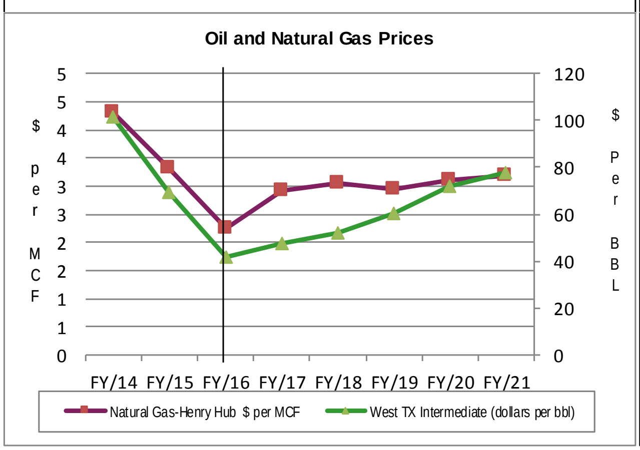
U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR)
October 2016 Baseline Forecast

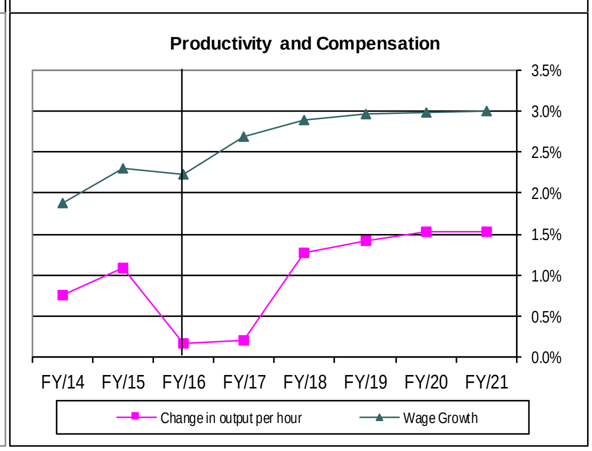




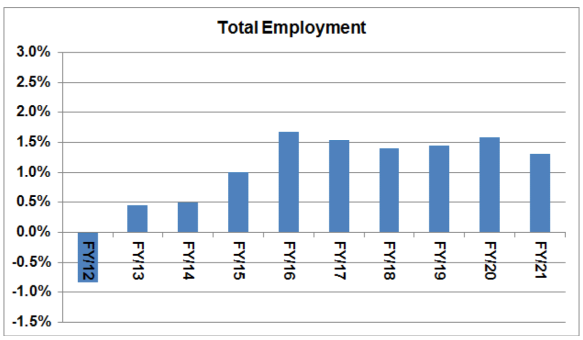




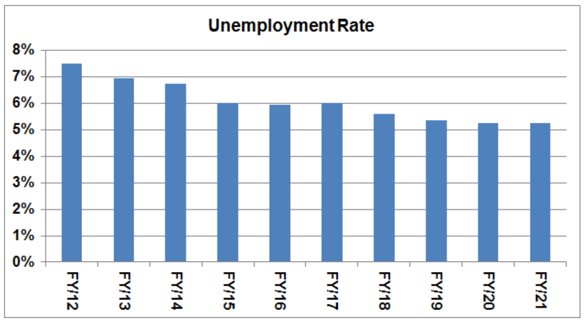




The outlook for the Albuquerque economy is developed by the Bureau of Business and Economic Research (BBER) at the University of New Mexico. They use national forecasts from IHS and local insights to develop forecasts of the state and local economy. The UNM BBER forecasting model for October 2016 provides the forecast of the Albuquerque economy that is presented in the following section. This data only includes three quarters of actual data for FY/16 due to the lag in reporting covered employment data. The Albuquerque economy declined in sync with the national economy, but has lagged in its recovery. Total employment in the MSA increased in the third quarter of 2012 but this gain was due to a change in processing by the department of Workforce Solutions and not in actual employment. The 4th quarter of 2014 and all following quarters through the 1st quarter of 2016 show increases with growth. The UNM BBER forecast of employment in October 2016, has positive non-agricultural (non-ag) employment growth beginning in FY/13, though as mentioned above, FY/13 is due only to a technical adjustment. The growth in total employment in FY/14 was 0.4% and FY/15 growth in total employment was 1.4% and with one estimated quarter FY/16 is expected at 1.7%.



The Albuquerque economy lost over 27 thousand jobs from FY/08 to FY/12 a loss of 7% of total employment. About 13 thousand jobs were added in FY/13 to FY/16. In FY/17 employment is expected to increase 1.5% and remain near this level for the remainder of the forecast. The economy does not approach FY/08 employment levels until FY/19. This puts the Albuquerque recovery over four years behind the national economy in terms of reaching post-recession employment levels. Government employment limits growth, with private sector employment growth exceeding total employment growth from FY/12 through FY/21. Construction has improved and is now helping the economy. The unemployment rate continues to decline, but some of this is due to discouraged workers leaving the labor force. In calendar year 2015 there was somewhat a reversal of this with a small increase in the unemployment rate caused in part by people re-entering the labor force. The rate is expected to slowly decline to 5.3% in FY/20 and FY/21. This is above the unemployment rate for the U.S. for the entire forecast period.



In addition to the tables embedded in the following section there are a series of charts and tables that provide some comparisons of Albuquerque to the U.S. economy. Additionally, Albuquerque MSA employment numbers are provided for FY/14 to FY/21 by the major North American Industrial Classification System (NAICS) categories.

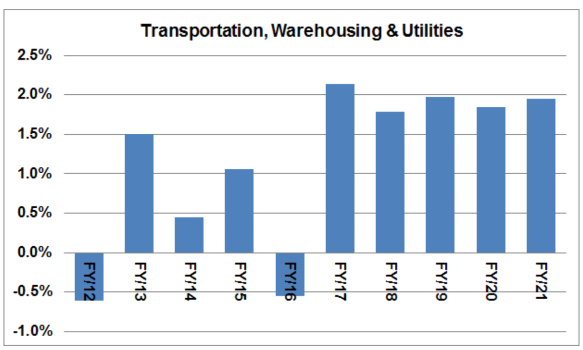
Retail and Wholesale Trade

These sectors account for about 15% of employment in the Metropolitan Statistical Area (MSA). It is a particularly important sector in terms of the Gross Receipts Tax; making up about 30% of GRT. As the recession hit, the closure of stores and reductions in purchases substantially hit employment and GRT in this sector.

The sector is expected to have employment growth of just over 0.8% in FY/17 and FY/18 with a jump to over 1.5% in FY/19 and tailing off for the remainder of the forecast.

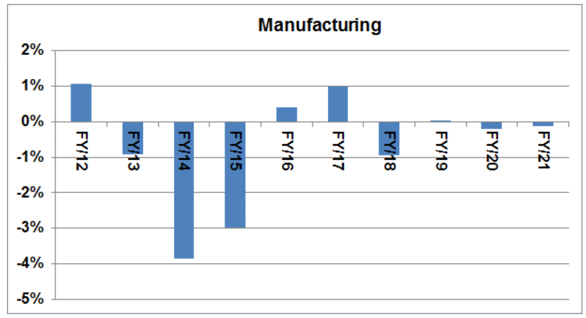
Transportation, Warehousing and Utilities

This sector while important, only accounts for 2.5% of employment. Employment growth in this sector was weak before the recession hit and then declined substantially in FY/09 and FY/10. The expectations for the forecast are a robust recovery with growth over 2% in FY/17 following a decline of 0.6% in FY/16. With this growth the sector does not reach the pre-recession high in the forecast period.



Manufacturing

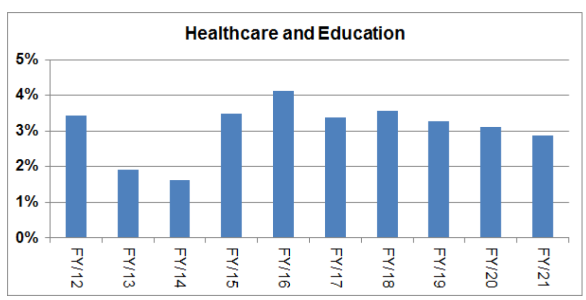
This sector accounts for about 4.5% of employment in the MSA. It is an important sector as it creates relatively high paying jobs that bring revenue from outside the area. It also generates purchases of materials and services in the local economy making this sector's impact greater than its employment share.



After substantial job losses including closing of Eclipse Aviation and GE, the sector posted small gains in FY11 and FY/12. In FY/13, FY/14 and FY/15 the sector declined and is expected to post a small increases in FY/16 and FY/17 before suffering losses in the remainder of the forecast. FY/21 employment is only 72% of the employment of FY/08.

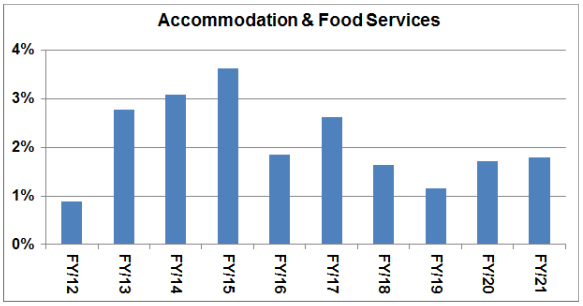
Educational and Health Services

This sector is predominantly health services and accounts for 15.7% of employment. Albuquerque is a major regional medical center that brings people into the area for services. Presbyterian Hospital and its HMO are one of the largest employers in the area. This was the only sector that increased through the recession and continues to be a primary driver for economic growth. Growth slowed in FY/14 but growth increased in FY/15 and is expected to reach 4% in FY/16. Growth stays above 3% in all years but FY/21 where it slows to 2.9%. This sector is the largest contributor to employment growth in the forecast period adding about 10,000 jobs (36.6% of total job growth) from FY/16 to FY/21.



Accommodation and Food Services

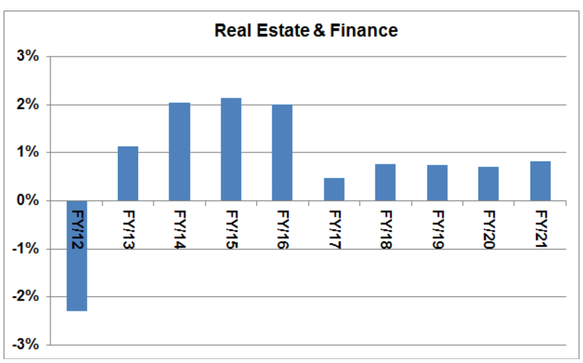
This category includes eating and drinking establishments as well as hotels and other travel related facilities. It accounts for 10% of employment in the MSA. The sector is a major contributor to both GRT and Lodgers' Tax.



FY/14 and FY/15 had growth of over 3%. This slowed in FY/16 to near 2% and after increasing to over 2.5% in FY17 remains below 2% for the remainder of the forecast. The sector reached its previous peak of FY/08 in FY/14.

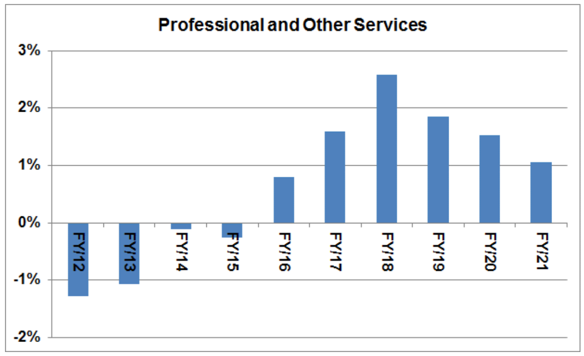
Real Estate & Financial Activities

This is two sectors and includes finance, insurance and real estate including credit intermediation. It accounts for about 4.5% of employment in the MSA. The financial crisis, the consolidation of banking, and the collapse of real estate impacted this sector. FY/13 shows an increase of 1% with FY/14 increasing 1.8%. Growth tapers off through the remainder of the forecast. In FY/21 the sector remains 367 jobs below the level of FY/08.



Professional and Other Services

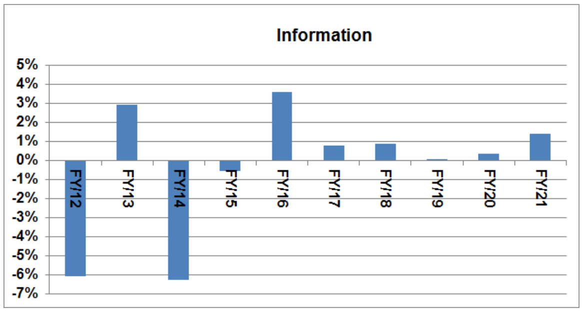
This category is a grouping of four service sectors (Professional and Technical, Management of Companies, Administrative and Waste Services, and Other Services). The category accounts for 18% of the employment in the MSA. It includes temporary employment agencies, some of Albuquerque's back-office operations, and architect and engineering firms that are closely tied to construction. It also includes Sandia National Labs (SNL).



While the national labs gained some positions in FY/11 through FY/15, the sector as a whole was weak. This began to change in FY/15 as construction services (engineering and architecture) began adding jobs, though the sector as a whole declined. The sector shows expected growth in FY/16 of less than 1%. Growth then exceeds 1% every year in the remainder of the forecast with a peak growth of 2.6% in FY/18. In FY/21 it still remains 3,300 jobs below the peak of FY/08.

Information

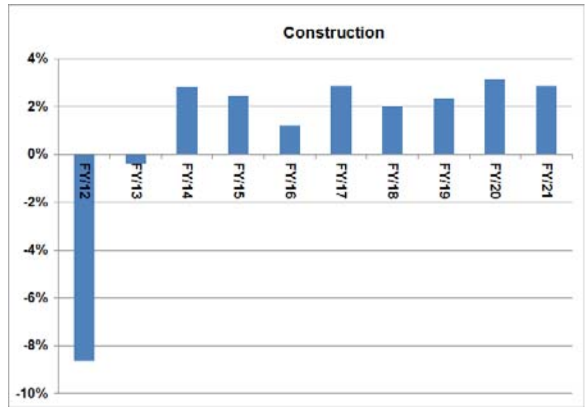
This sector includes businesses in tele-communications, broadcasting, publishing and internet service establishments. It also includes the film studios. It accounts for about 2% of employment in the MSA. FY/13 posted solid growth, but FY/14 showed a substantial decline and FY/15 declined again. FY/16 is expected to show growth of over 3%, but slows to under 1% growth until FY/21.



<u>Construction</u>

Construction is typically cyclical, with significant swings in building and employment. Construction is an important sector and has an impact on the economy larger than its employment share of 5%. This sector lost 12 thousand jobs from FY/07 to FY/13. In FY/07 its employment share was 8%. After falling consistently from FY/07, employment in construction began increasing at the end of FY/13. FY/14 grew 2.8% and 2.4%in FY/15. Employment is expected to increase only 1.2% in FY/16, but then increases to near 3% in FY/17 and remains in the 2% to 3% range for the remainder of the forecast. It is one of the fastest growing sectors in the economy for the forecast period. Even with this growth construction employment in FY/21 is forecasted to be 26% or 8,000 jobs below the FY/07 peak.

Construction permits show the trends in construction and the types of construction. The graph following this section shows the real values of building permits after adjusting by the CPI from 1970 to 2016 (November and December of 2016 was estimated). Construction is categorized as new construction or additions, alterations, and repairs.



New construction is further separated as residential and commercial. Five distinct peaks occurred in 1973, 1979, 1985, 1995 and 2005. The 2005 cycle was the longest but also had the largest dropoff.

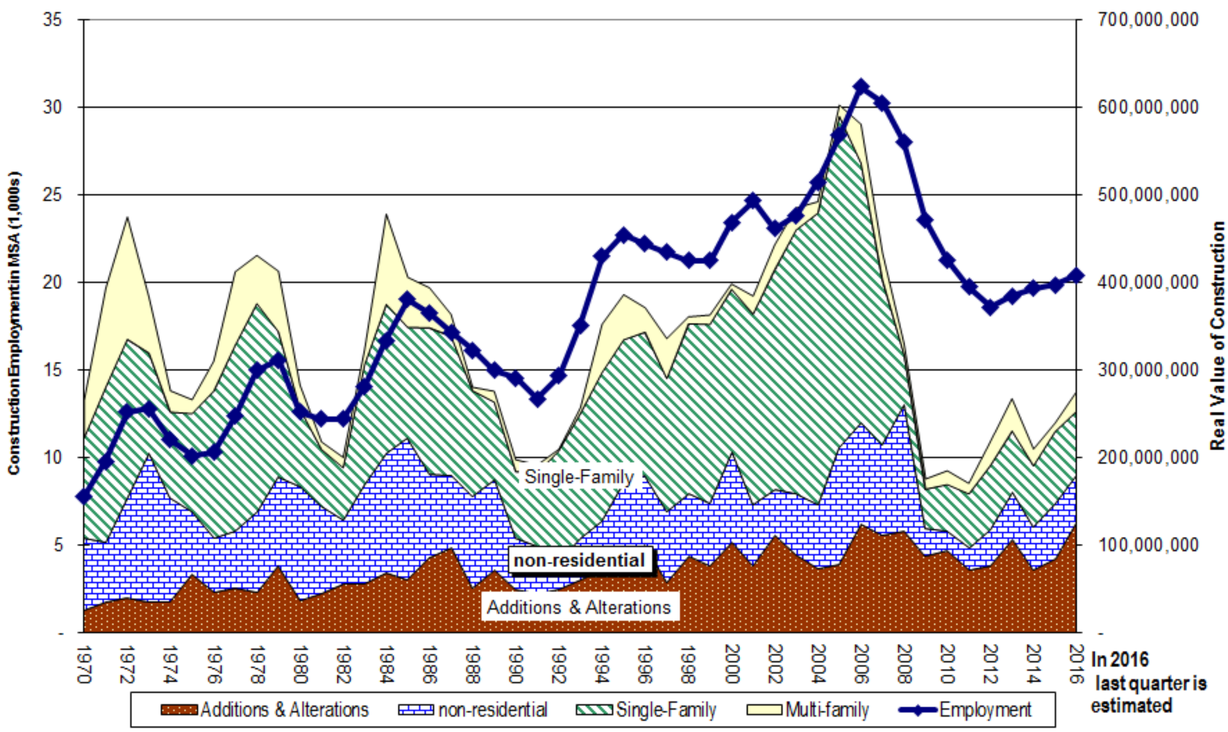
The lowest level of residential construction was reached in the period of August 2008 to February 2009. From this point single family permitting has increased, but it remains subdued and at levels well below pre-recession permitting. In 2008 much of the decline in residential construction was offset by new commercial, primarily public sector construction. Much of this construction was for new Albuquerque public schools. In 2009 residential housing stabilized, but commercial construction fell making 2009 the worst year as far as percentage decline in new construction. Additions, alterations, and repairs did not drop as significantly as new construction but still showed declines. This category is dominated by commercial and public projects.

Single family permitting has grown slowly and is expected to show moderate growth in the forecast. In FY/14 only 814 single family units were permitted, down about 100 units from FY/13. In FY/15 there was a small increase to 902 units. In FY/16 this is expected to increase to 1,200 units. The forecast trends up to 1,700 units by FY/21. These are historically very low numbers; below the early 1990s. Lack of job growth has led to out-migration and very low growth (less than 0.5% a year from 2010 to 2015) in population. Multi-family construction showed some strength in FY/13 with 945 units and 898 units in FY/14. These permits fell 450 and 567 units in FY/15 and FY/16 respectively. There are some large projects expected for FY/17. The UNM BBER forecast only expects 423 units in FY/20 and FY/21.

Building permits only tell part of the construction story. Non-building construction such as roads and storm drainage are not captured in the permit numbers. Large construction projects for the State, such as University Hospital, are permitted by the State rather than the City. Employment in the construction sector gives a picture of growth in the entire MSA.

As shown in the chart following this section, construction employment moves similarly to permit values, but differences occur. Some of this is due to projects outside the City as well as non-building projects. Growth in employment was very strong in 2000-2006, driven in large part by the Intel project and the Big-I reconstruction project.

Construction Values In City of Albuquerque Deflated by CPI and Construction Employment in the MSA in Thousands

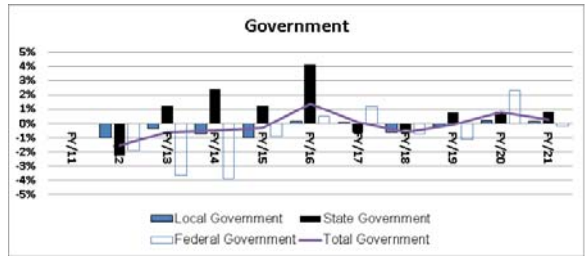


Government

The government sector makes up almost 21% of the Albuquerque MSA employment. The largest part of State and Local government is education. Local Government includes the public schools and State Government includes the University of New Mexico and Central New Mexico Community College. The local sector also includes Indian enterprises. The Federal Government makes up 4.4% of employment; nationally Federal government makes up 3.4% of total employment. This doesn't include military employment which is counted separately.

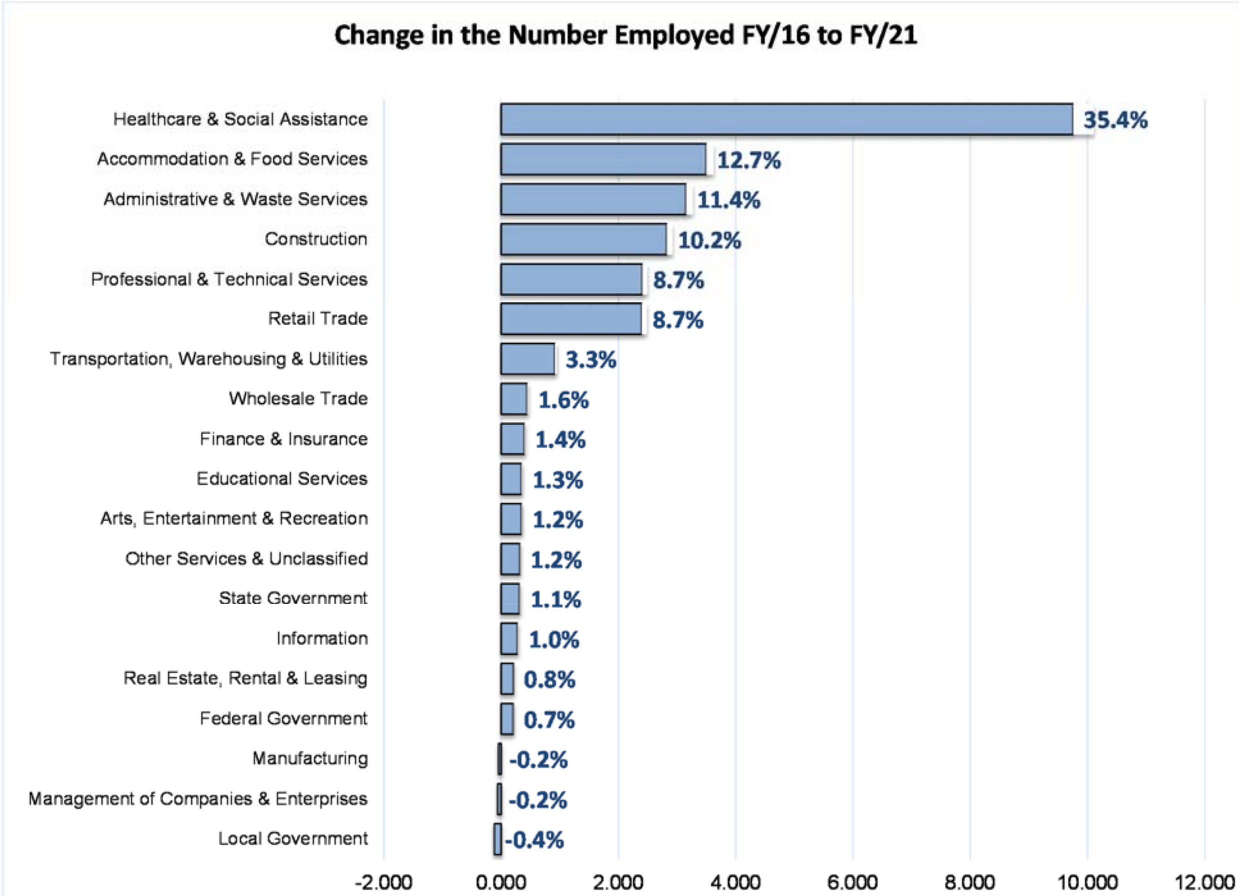
Active military is around 6,000 or about 1.7% of the total non-agricultural employment. Nationally military is 1% of total non-ag employment.

Government employment slowed and decreased in FY/11 through FY/16. Local and State employment decreased due to declines in tax revenue and the inability to fund the same level of employees. State and Local are flat in FY/13. State government has been stronger with growth of 2.4% and 11.3% in FY/14 and FY/15. It is expected to grow 4.2% and then decline or remain at low levels of growth for the forecast. Local government has been flat and is expected to show little growth in the forecast. The major sources of state and local jobs are education, though the Labor department does not keep individual counts for these jobs at the local level.



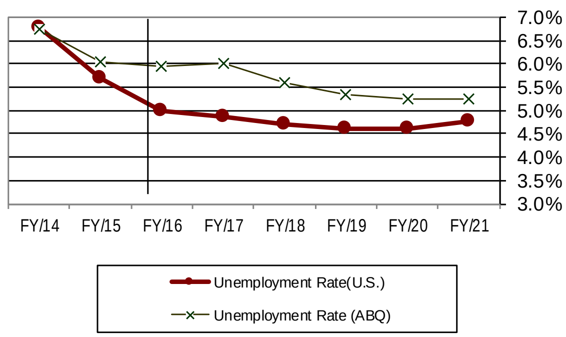
Federal Government after growing strongly in FY/10 showed little growth in FY/11 and declines in FY/12 through the remainder of the forecast. This occurs due to the federal government taking steps to reduce its expenditures. The forecast has continued losses in federal jobs except in FY/19 to FY/21 largely due hiring for the 2020 census.

The following Charts and tables present more information on the Albuquerque economy and its comparison to the U.S.

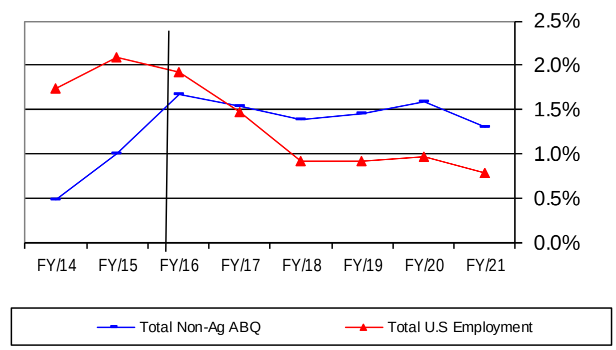


Albuquerque MSA and Comparisons to the U.S -- Fiscal Year October 2016

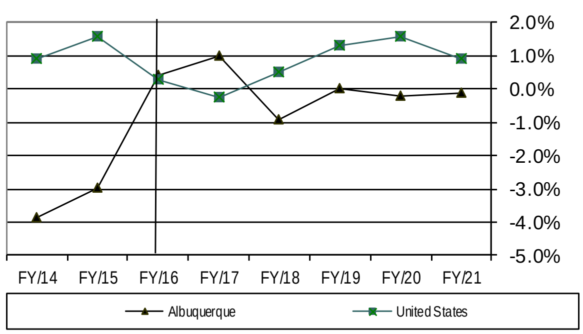
Albuquerque MSA vs. U.S. Unemployment Rates



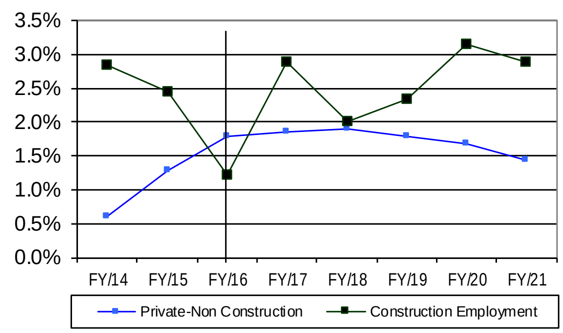
Albuquerque MSA vs. U.S. Employment Growth



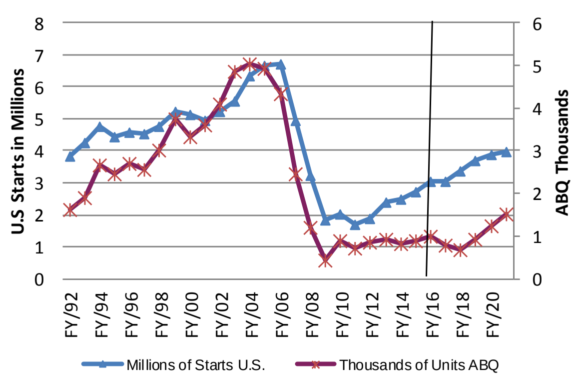
Albuquerque MSA vs. U.S. Manufacturing Employment Growth



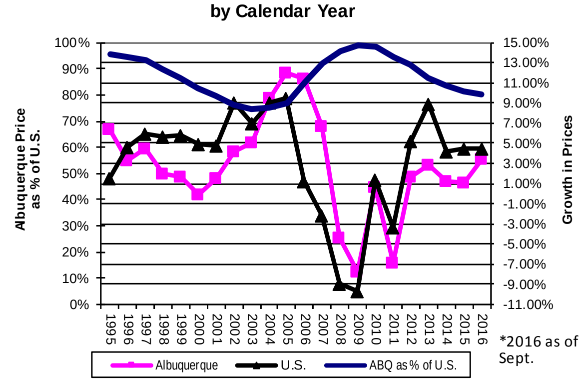
Albuquerque MSA Construction and Private Non-Construction Employment Growth



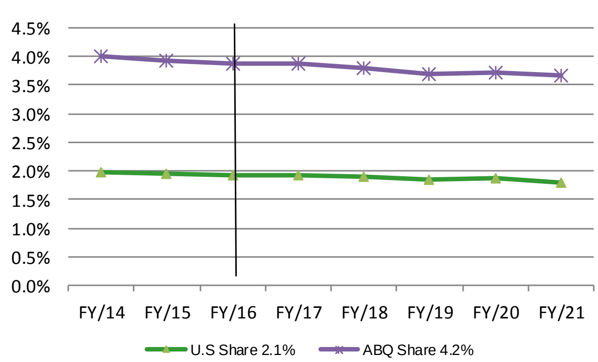
Single Family Construction



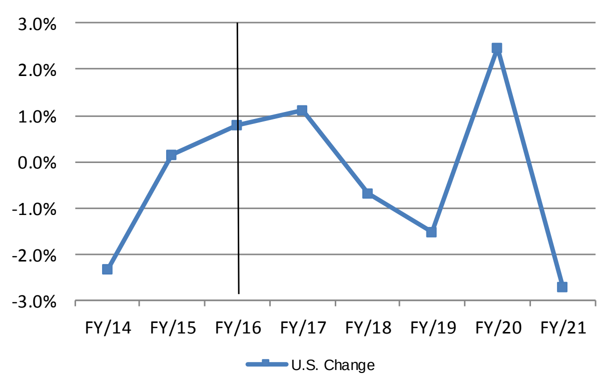
Comparison of Growth in Existing Home Sales Price by Calendar Year



Federal Government Employment as Share of Total Employment



Change in Federal Government Employment



	Historical			Forecast				
	FY/14	FY/15	FY/16	FY/17	FY/18	FY/19	FY/20	FY/21
National Variables								
Real GDP Growth	2.1%	2.9%	1.7%	1.7%	2.3%	2.2%	2.2%	2.1%
Federal Funds Rate	0.1%	0.1%	0.3%	0.6%	1.1%	1.9%	2.7%	2.8%
10 U.S. Bonds	2.7%	2.2%	2.0%	1.8%	2.4%	3.0%	3.6%	3.6%
CPI U	1.6%	0.7%	0.7%	1.9%	2.5%	2.5%	2.6%	2.4%
Unemployment Rate(U.S.)	6.8%	5.7%	5.0%	4.9%	4.7%	4.6%	4.6%	4.8%
Total U.S Employment	1.7%	2.1%	1.9%	1.5%	0.9%	0.9%	1.0%	0.8%
Manufacturing Employment	0.9%	1.6%	0.3%	-0.3%	0.5%	1.3%	1.6%	0.9%
Consumer sentiment index--University of Michigan	80.6	90.6	91.5	91.7	93.7	94.3	93.6	93.1
Exchange Rates	0.98	1.09	1.18	1.17	1.18	1.13	1.09	1.06
Current Trade Account (billions of $)	(361.3)	(429.8)	(488.2)	(434.8)	(379.5)	(418.1)	(503.0)	(545.3)
Change in output per hour	0.8%	1.1%	0.2%	0.2%	1.3%	1.4%	1.5%	1.5%
Natural Gas-Henry Hub $ per MCF	4.3	3.3	2.2	2.9	3.0	2.9	3.1	3.2
West TX Intermediate (dollars per bbl)	101.3	69.3	41.7	47.4	52.1	60.5	71.9	77.9
Wage Growth	1.9%	2.3%	2.2%	2.7%	2.9%	3.0%	3.0%	3.0%
Albuquerque Variables								
Employment Growth and Unemployment in Albuquerque MSA								
Total Non-Ag ABQ	0.5%	1.0%	1.7%	1.5%	1.4%	1.5%	1.6%	1.3%
Private-Non Construction	0.6%	1.3%	1.8%	1.8%	1.9%	1.8%	1.7%	1.4%
Construction Employment	2.8%	2.4%	1.2%	2.9%	2.0%	2.3%	3.1%	2.9%
Manufacturing	-3.9%	-3.0%	0.4%	1.0%	-0.9%	0.0%	-0.2%	-0.1%
Government	-0.5%	-0.3%	1.4%	0.1%	-0.6%	-0.1%	0.8%	0.3%
Unemployment Rate (ABQ)	6.7%	6.0%	5.9%	6.0%	5.6%	5.4%	5.3%	5.3%
Growth in Personal Income	2.1%	3.8%	4.1%	4.0%	4.9%	5.2%	5.1%	5.3%
Construction Units Permitted in City of Albuquerque								
Single-Family Permits	915	902	979	863	1,043	1,320	1,513	1,727
Muli-Family Permits	933	189	67	310	375	408	438	438
Total Residential Permits	1,848	1,091	1,046	1,173	1,418	1,727	1,951	2,166

Source Global Insight and FOR-UNM October 2016 Baseline Forecasts

Albuquerque MSA Employment in Thousands

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Total Employment	358.320	361.900	367.972	373.628	378.847	384.341	390.447	395.532
Private Employment	282.641	286.475	291.500	297.085	302.749	308.304	313.807	318.663
Mining & Agriculture	0.716	0.717	0.744	0.720	0.728	0.737	0.746	0.754
Construction	19.412	19.886	20.127	20.707	21.121	21.615	22.295	22.938
Manufacturing	16.871	16.367	16.431	16.593	16.438	16.440	16.407	16.384
Wholesale Trade	11.459	11.599	11.673	11.777	11.797	11.899	12.006	12.116
Retail Trade	41.484	41.656	42.048	42.398	42.856	43.634	44.220	44.444
Transportation, Warehousing & Utilities	9.039	9.134	9.084	9.279	9.444	9.630	9.808	9.999
Information	7.681	7.638	7.911	7.973	8.043	8.049	8.077	8.188
Finance & Insurance	11.068	11.440	11.639	11.669	11.758	11.847	11.936	12.031
Real Estate, Rental & Leasing	5.160	5.134	5.266	5.317	5.357	5.395	5.427	5.475
Professional & Technical Services	28.182	28.566	28.880	29.293	29.786	30.281	30.715	31.285
Management of Companies & Enterprises	3.349	3.373	3.513	3.444	3.448	3.450	3.452	3.453
Administrative & Waste Services	24.146	23.577	23.596	24.157	25.334	26.054	26.613	26.749
Educational Services	5.024	5.288	5.285	5.306	5.371	5.450	5.536	5.629
Healthcare & Social Assistance	49.287	50.922	53.241	55.196	57.289	59.258	61.180	62.996
Arts, Entertainment & Recreation	4.292	4.410	4.561	4.628	4.670	4.756	4.837	4.903
Accommodation & Food Services	35.990	37.294	37.984	38.977	39.610	40.067	40.750	41.480
Other Services & Unclassified	9.482	9.475	9.521	9.653	9.699	9.741	9.804	9.839
Government	75.679	75.425	76.472	76.543	76.098	76.037	76.640	76.869
Local Government	40.146	39.748	39.821	39.859	39.618	39.546	39.632	39.705
State Government	21.202	21.471	22.370	22.234	22.131	22.308	22.494	22.681
Federal Government	14.332	14.207	14.280	14.450	14.349	14.183	14.515	14.484
Military Employment	5.951	5.701	5.710	5.722	5.709	5.713	5.721	5.726
Growth Rates								
Total Employment	0.5%	1.0%	1.7%	1.5%	1.4%	1.5%	1.6%	1.3%
Private Employment	0.8%	1.4%	1.8%	1.9%	1.9%	1.8%	1.8%	1.5%
Mining & Agriculture	-5.0%	0.1%	3.8%	-3.2%	1.1%	1.2%	1.3%	1.1%
Construction	2.8%	2.4%	1.2%	2.9%	2.0%	2.3%	3.1%	2.9%
Manufacturing	-3.9%	-3.0%	0.4%	1.0%	-0.9%	0.0%	-0.2%	-0.1%
Wholesale Trade	-0.5%	1.2%	0.6%	0.9%	0.2%	0.9%	0.9%	0.9%
Retail Trade	1.6%	0.4%	0.9%	0.8%	1.1%	1.8%	1.3%	0.5%
Transportation, Warehousing & Utilities	0.5%	1.1%	-0.6%	2.1%	1.8%	2.0%	1.8%	1.9%
Information	-6.3%	-0.6%	3.6%	0.8%	0.9%	0.1%	0.3%	1.4%
Finance & Insurance	3.7%	3.4%	1.7%	0.3%	0.8%	0.8%	0.7%	0.8%
Real Estate, Rental & Leasing	-1.3%	-0.5%	2.6%	1.0%	0.7%	0.7%	0.6%	0.9%
Professional & Technical Services	0.6%	1.4%	1.1%	1.4%	1.7%	1.7%	1.4%	1.9%
Management of Companies & Enterprises	1.5%	0.7%	4.1%	-2.0%	0.1%	0.1%	0.0%	0.0%
Administrative & Waste Services	-0.3%	-2.4%	0.1%	2.4%	4.9%	2.8%	2.1%	0.5%
Educational Services	2.6%	5.3%	-0.1%	0.4%	1.2%	1.5%	1.6%	1.7%
Healthcare & Social Assistance	1.5%	3.3%	4.6%	3.7%	3.8%	3.4%	3.2%	3.0%
Arts, Entertainment & Recreation	0.0%	2.7%	3.4%	1.5%	0.9%	1.9%	1.7%	1.4%
Accommodation & Food Services	3.1%	3.6%	1.8%	2.6%	1.6%	1.2%	1.7%	1.8%
Other Services & Unclassified	-2.3%	-0.1%	0.5%	1.4%	0.5%	0.4%	0.6%	0.4%
Government	-0.5%	-0.3%	1.4%	0.1%	-0.6%	-0.1%	0.8%	0.3%
Local Government	-0.7%	-1.0%	0.2%	0.1%	-0.6%	-0.2%	0.2%	0.2%
State Government	2.4%	1.3%	4.2%	-0.6%	-0.5%	0.8%	0.8%	0.8%
Federal Government	-3.9%	-0.9%	0.5%	1.2%	-0.7%	-1.2%	2.3%	-0.2%
Military Employment	-3.3%	-4.2%	0.2%	0.2%	-0.2%	0.1%	0.1%	0.1%

REVENUE OUTLOOK

Overview

The following forecast of revenues is presented in tables following this section. They are based on the October 2016 IHS and UNM BBER baseline forecasts. The presentation provides unaudited FY/16 receipts, the FY/17 budget and revised estimates for FY/17 and the baseline forecast receipts for fiscal years 2018-2021. In all cases, the figures reflect the accrual to revenues required for compliance with the tax revenue standard of the Governmental Accounting Standards Board. The growth rates in the table are in many cases based on the economic forecast assumptions summarized in the previous sections on the economy.

In FY/17 recurring revenues are expected to increase 2.8%. This represents a decrease of $3.1 million from the original budget. Total revenue increases 2.2%, with non-recurring revenues declining by $410 thousand. GRT growth is below the budget and FY/16 revenues were short of estimate making the total shortfall $4.4 million from the original FY/17 budget. The first quarter of FY/17, was negative, but the 4th month was large pushing year to date growth to 4%. It appears some of these funds are incorrect and the distribution will be reduced, at this time it is unclear as to what the actual growth is. The economy is now generating jobs and FY/17 shows growth near FY/16, even with reductions from the food and medical hold harmless and the tax increment development districts. Even so, there are substantial risks. Employment growth though positive is limited, single family permits remain limited and commercial construction has started to grow but much of this is driven by the public schools and healthcare sectors. Deductions for manufacturing inputs and the impact of the Tax Increment Development Districts (TIDDs) remain uncertain. Property tax revenue growth increased on the residential properties, but yield control is limiting the allowed growth. Building permits while above the minimum levels, declined in FY/15, but increased in FY/16, but remain near the levels achieved in FY/13. FY/17 also represents the second year that the hold harmless distribution for food and medical services is reduced. The reduction of the distribution of over $35 million will be phased out over the next 15 years.

The long-term baseline forecast anticipates that the General Fund recurring revenue growth is expected to be 2.8%, 2.7%, 3.0%, 3.1%, and 2.8% in FY/17, FY/18, FY/19, FY/20 and FY/21 respectively.

More detail on each sector is presented in the following text.

General Fund Revenue Estimates

Gross Receipts Tax

The GRT revenues for FY/16 were $2.4 million below the amount estimated in the approved FY/16 budget. GRT growth has been growing, but sporadically and the 4th quarter of FY/16 and the 1st quarter FY/17 showed declines, but the 4th month offset this loss with growth of 19.4% and made the year to date growth 4%--well above the budgeted level. It is unclear how much of the growth in the 4th month will be taken back by the Taxation and Revenue Department, but it appears that at least some of the revenue was distributed in error (due in large part to errors in tax payer filings). It was decided to let the model forecast the first quarter of FY/17, which yielded growth of 2.4% which is lower than the budget growth of 2.9%. This is compounded by the shortfall in FY/16. In FY/17 the revenue growth has been erratic, largely due to fluctuations in the food and medical hold harmless distributions. In FY/17 and FY/18 the only one-time revenue included is the additional approximately $2.4 million in the hold harmless distribution that will be removed in the following year. This is also true in FY/19 through FY/21.

The FY/17 budget had anticipated that the GRT distributions would increase by 2.9%, but based on a weak first quarter and strong October distribution the forecast is reduced to 2.3%. This is a decrease of $3.1 million in recurring GRT revenue from the original budget. In FY/18 growth is expected to increase, but it is offset by the loss of an additional $2.3 million in hold harmless distribution, $1 million in manufacturing deductions and $2.9 million deduction for the TIDDs. The TIDD deduction is due primarily to expansion of the Winrock TIDD. This reduces expected growth from 4.1% to 3%, a loss of 1.1% in growth. This is detailed in the following table.

Adjustments to GRT Growth

	FY/17	FY/18	FY/19	FY/20	FY/21
Growth w/o adjustments	3.5%	4.1%	4.2%	4.4%	3.8%
Manufacturing Consumables	-0.2%	-0.1%	-0.1%	0.0%	0.0%
F&M hold harmless	-0.6%	-0.7%	-0.6%	-0.6%	-0.6%
TIDDs	-0.3%	-0.3%	0.0%	-0.1%	0.0%
Adjusted Rate	2.3%	3.0%	3.4%	3.7%	3.3%

The growth without adjustments in the GRT is estimated using forecasts of economic activity. After this growth is estimated, adjustments are made for known changes. In this forecast adjustments are made for the deduction for manufacturing consumables, Tax Increment Development Districts, and the phase out of the food and medical hold harmless.

A full explanation of the deductions is included in a later section on estimating Gross Receipts taxes.

Property Tax

FY/16 revenues were above expectations and FY/17 revenues were increased from the budgeted level based on the new FY/16 level, and the growth in the property tax. Growth in FY/17 is limited by yield control. Given a relatively low rate of inflation yield control is expected to limit growth through the forecast.

Franchise Taxes

Franchise taxes in FY/16 were below estimate. This was primarily due to a shortfall in revenue from the natural gas franchise and the electric franchises. Gas was low due to relatively warm weather and low prices of gas. Electricity was low due to the impact of lower prices due to renegotiation of a coal contract. FY/17 is now expected to be $667 thousand below the budget estimate. The short fall in electricity is partially offset by new rates allowed by the Public Regulatory Commission.

In FY/18 to FY/21 growth is limited in all of the franchises. Growth in the number of customers for all franchises is small as both household and business formation is limited due to slow housing construction and the weak economy. Telephone franchise revenues are expected to remain flat. The natural gas franchise is kept at the FY/15 actual level. The growth in future years is limited to population and the increases in natural gas prices forecast by IHS. The electric franchise is increased from the FY/17 level with the rate increase that occurred early in the fiscal year. Telecommunications franchise includes companies other than Century Link are reduced to the FY/16 level which is somewhat below the budget. They are held at this lower level for the entire forecast. Cable franchise revenues for FY/17 are kept at the FY/17 budgeted level. The Water Authority franchise revenue estimate is increased to the FY/16 level and then kept flat, except in FY/18 when it is assumed that there will be a 4% rate increase. No growth is expected except for the rate increase. Any growth in the number of customers is expected to be offset by water conservation.

Payments-In-Lieu-Of-Taxes (PILOT)

PILOT revenues are kept at the FY/17 budgeted level. Growth is limited to expected population growth of 1%.

Building Permits

Building inspection permit revenues reached a peak in FY/06. Between FY/06 and FY/10 the level of permits fell 63%. Permits have grown since, though FY/15 was somewhat below FY/14. FY/16 did come in better than the estimated actual prepared with the FY/17 budget and growth in the first quarter of FY/17 is 28% above FY/16. FY/17 and FY/18 are allowed to grow at 10%. The growth in permits in FY/19 to FY/21 is allowed to grow with the forecast of residential housing permits in the UNM BBER forecast.

As a note, major construction projects planned by the state or the federal government, or road projects do not fall under the City of Albuquerque permitting process and the City receives no permit revenue. However, GRT is paid both by the state and the federal governments on construction projects.

Other Licenses/Fees

Included in this category are revenues from permits and licenses for restaurant inspections, animal control, liquor establishments, business registrations, use of the city right of way, and other miscellaneous fees. FY/17 revenue is kept at the budgeted level. In FY/18 through FY/21 growth is limited to 1% reflecting limited growth in population and the number of businesses.

Other Intergovernmental Assistance

Other intergovernmental assistance includes state shared revenues (excluding GRT), grants and county shared revenues. This category has declined in recent years due to changes in state policy and the manner in which grant revenue is received. Revenues have declined in this category as both the cigarette tax and the court corrections fee have been discontinued.

The other source of intergovernmental revenue is the state shared Municipal Road Gas Tax. Since this is a per unit tax, declines in usage reduce revenues. The revenue is fairly volatile, and though FY/15 actual revenues were somewhat below estimated revenues, they are well below peak levels reached in FY/09 and FY/10. FY/16 is kept at the budgeted level. Reductions in the price of gasoline could stimulate driving, but there are other trends that are limiting consumption. These include; volatility in the price of gasoline increasing use of fuel efficient vehicles, and limited population and labor force growth.

In total, growth for this category remains near flat from FY/18 to FY/21 with growth of only 0.5% a year.

Charges for Services

Charges for services include fees charged for entry into City venues and services provided to citizens and other entities. FY/17 revenues are adjusted slightly down to account for the FY/16 actual. The remainder of the forecast is limited to growth of 1%, approximately the expected growth in population.

Internal Service

In FY/17 revenues are adjusted up to account for the actual revenue received in FY/16. FY/18 is kept at this FY/17 level. The remaining years increase at the rate of wage and salary compensation as forecast by IHS.

Indirect Overhead

Indirect overhead in FY/17 is held at the budgeted level. FY/18 is increased by 0% and FY/19 through FY/21 is increased at the rate of wage and salary compensation as forecast by IHS.

CIP-Funded Positions

FY/17 is kept at the budgeted level and FY/18 is not increased. FY/19 through FY/21 increases at the rate of wage and salary compensation as forecast by IHS.

Miscellaneous

This includes fines, rental of City property and "other miscellaneous" revenues. The FY/15 revenues are held at the budget. Revenues are kept flat for the remainder of the forecast.

Interest Earnings

Interest earnings have been at extremely depressed levels. FY/17 is kept at the budgeted level. FY/16 had a large increase in revenues, but this was due to unrealized gains. The growth that occurs in the remainder of the forecast is relatively large and based on expected increases in 2 year treasury rates forecast by IHS.

Interfund Transfers

Interfund transfers for FY/17 are held at the budgeted level. FY/18 is not increased. The out years are increased at the rate of wage and salary compensation as forecasted by IHS.

PROJECTED REVENUES FOR FISCAL YEARS 2017 TO 2021

	Unaudited	Budget	Five year					Growth				
	FY/16	FY/17	FY/17	FY/18	FY/19	FY/20	FY/21	FY/17	FY/18	FY/19	FY/20	FY/21
GRT												
State Shared 1.225%	190,155	197,217	194,577	200,504	207,377	215,123	222,100	2.3%	3.0%	3.4%	3.7%	3.2%
Local GRT (w/o public safety)	88,182	91,430	90,233	92,981	96,168	99,760	102,996	2.3%	3.0%	3.4%	3.7%	3.2%
GRT 1/4 Public Safety*	38,236	39,645	39,126	40,317	41,699	43,257	44,660	2.3%	3.0%	3.4%	3.7%	3.2%
local distribution compensating tax	1,325	1,378	1,378	1,367	1,396	1,454	1,512	4.0%	-0.8%	2.1%	4.2%	4.0%
Penalty and Interest	2,212	2,341	2,289	2,383	2,483	2,593	2,692	3.5%	4.1%	4.2%	4.4%	3.8%
Recurring GRT	320,111	332,011	327,603	337,552	349,124	362,187	373,960	2.3%	3.0%	3.4%	3.7%	3.3%
One-Time GRT*		-										
Total GRT	320,111	332,011	327,603	337,552	349,124	362,187	373,960	2.3%	3.0%	3.4%	3.7%	3.3%
Property Taxes	81,246	81,360	82,384	83,652	84,857	86,504	88,184	1.4%	1.5%	1.4%	1.9%	1.9%
Telephone	1,633	1,590	1,633	1,633	1,633	1,633	1,633	0.0%	0.0%	0.0%	0.0%	0.0%
Electric	9,050	9,996	9,684	9,819	9,886	10,036	10,166	7.0%	1.4%	0.7%	1.5%	1.3%
Gas	3,507	4,069	3,507	3,577	3,520	3,610	3,663	0.0%	2.0%	-1.6%	2.6%	1.5%
Cable TV	4,198	4,060	4,198	4,240	4,282	4,325	4,368	0.0%	1.0%	1.0%	1.0%	1.0%
Water Authority Franchise	7,338	7,300	7,338	7,632	7,632	7,937	7,937	0.0%	4.0%	0.0%	4.0%	0.0%
Telecommunications	209	220	209	209	209	209	209	0.0%	0.0%	0.0%	0.0%	0.0%
Franchise (subtotal)	25,935	27,235	26,568	27,109	27,162	27,749	27,976	2.4%	2.0%	0.2%	2.2%	0.8%
Other Intergovl	4,739	4,392	4,392	4,414	4,436	4,458	4,481	-7.3%	0.5%	0.5%	0.5%	0.5%
Building Permits	7,131	7,513	8,200	9,020	10,169	10,474	10,972	15.0%	10.0%	12.7%	3.0%	4.7%
Other Licenses/Fees	4,768	5,384	5,384	5,438	5,492	5,547	5,603	12.9%	1.0%	1.0%	1.0%	1.0%
Charges for Services	21,537	21,768	21,537	21,952	22,172	22,394	22,618	0.0%	1.0%	1.0%	1.0%	1.0%
Fines and Penalties	209	120	209	209	209	209	209	0.0%	0.0%	0.0%	0.0%	0.0%
Interest on Invest	1,113	767	767	1,215	1,539	1,553	1,553	-31.1%	58.4%	26.7%	0.9%	0.0%
Other Miscellaneous	2,680	1,818	1,818	1,836	1,855	1,873	1,892	0.0%	1.0%	1.0%	1.0%	1.0%
Interfund Transfers	3,780	2,604	2,604	2,920	3,010	3,102	3,198	-31.1%	12.1%	3.1%	3.1%	3.1%
PILOT	1,885	1,803	1,803	1,803	1,803	1,803	1,821	-4.3%	0.0%	0.0%	0.0%	1.0%
Indirect Overhead	16,296	17,162	17,162	17,162	17,688	18,234	18,796	5.3%	0.0%	3.1%	3.1%	3.1%
Internal Service	279	269	279	279	287	296	305	0.0%	0.0%	3.1%	3.1%	3.1%
CIP-Funded Positions	9,234	11,175	11,175	11,587	11,942	12,310	12,690	21.0%	0.0%	3.1%	3.1%	3.1%
Total Revenue	500,942	515,381	511,885	526,149	541,743	558,694	574,257	2.2%	2.8%	3.0%	3.1%	2.8%
Non-Recurring Revenue	4,782	2,431	2,021	2,325	2,422	2,529	2,626	-57.7%	15.0%	4.2%	4.4%	3.8%
Recurring Revenue	496,160	512,950	509,864	523,824	539,321	556,165	571,631	2.8%	2.7%	3.0%	3.1%	2.8%

The economic models that forecast GRT use information about the economy from the national IHS forecast and the UNM BBER forecast of the local economy. Gross receipts from construction are estimated separately from gross receipts from all other sources. This is designed to account for the volatile nature and the differing factors that affect construction.

Local employment and incomes are major indicators of the level of non-construction gross receipts; these are proxies for the money that can be spent by local residents. Additionally, seasonality has a major impact along with changes in employment or income. For example, Christmas spending makes the receipts accrued to December and January (actually on November and December spending) the largest of the year. The models also estimate the impact of changes in state taxation policy.

The construction GRT model is based on housing construction and construction employment. Care is taken to account for the difference due to large construction projects such as the Big I and the Coors & I-40 re-construction which had large impacts on GRT revenues for short periods.

Adjustments to the estimates

Estimates of GRT are determined using the models described above, but often there are known future changes to state GRT statutes or other changes to the economy that were not in place in the historical period. To account for these factors changes are made outside the econometric models to account for these effects.

Food and Medical Hold Harmless

The first year of the phased out reduction began in FY/16. The distribution is reduced by 6% in FY/16 and an additional 6% in each of the following years. The general fund will lose approximately $4.2 million, $6.5 million, $8.9 million, $11.5 million and $14.1 million in FY/17, FY/18, FY/19, FY/20 and FY/21 respectively.

Tax Increment Development Districts

Revenue estimates of GRT were made using the tax base excluding distributions made to the TIDDs. For future impacts, distributions to the TIDDs are directly taken out. In FY/15 there was a $1.7 million dollar pay back of GRT that was incorrectly distributed to the Winrock TIDD. The distributions now made to the TIDD by the Taxation and Revenue Department are correct. Winrock has developed a plan associated with bonds that were issued in the fall of 2015 for expansion of Winrock and a change in the base year from 2007 to 2009. Using this plan and changes in base year, estimates of GRT going to the TIDD are shown below. It is assumed that the construction revenues are not a net loss to the General Fund, but the retail sales revenues are a net loss to the General Fund. Estimates of TIDD revenues to Mesa del Sol are also estimated and deducted from General Fund Revenue. Mesa del Sol revenues are smaller since the GRT is primarily due to residential construction.

Increment Going to Tax Increment for Development Districts

	FY/17	FY/18	FY/19	FY/20	FY/21
Winrock	(1,310)	(2,463)	(2,653)	(2,936)	(2,936)
Mesa Del Sol (MDS)	(412)	(424)	(437)	(450)	(464)
Total for TIDDS	(1,722)	(2,887)	(3,090)	(3,386)	(3,400)

Manufacturing and Construction

Deductions for the estimates include an adjustment for the GRT deduction for manufacturing inputs and construction services. The manufacturing input deductions are phased in at 20% a year beginning with a half year in FY/13. The construction services deduction is a half-year in FY/13 with a full year impact in FY/14. It has been difficult to identify the direct GRT impacts of these statutory changes. The construction services can be identified in the service sector, and appears to be smaller than what was originally anticipated. It is included in the econometric estimate and in the base estimates. Identifying manufacturing, as it is phased in, is more difficult. Some of the reduction can be identified by a shift from the utility sector to the manufacturing sector as the responsibility of paying GRT on electricity shifts from PNM to the manufacturer. It is estimated that the impact of manufacturing is $800 thousand in FY/17 increasing to $1.5 million. The results are presented in the table at the end of this section below.

Adjustments to GRT (000's)

	Unaudited	Budget	Five year					Growth				
	FY/16	FY/17	FY/17	FY/18	FY/19	FY/20	FY/21	FY/17	FY/18	FY/19	FY/20	FY/21
Total GRT W/O Adjustments	323,013	336,211	334,324	347,964	362,550	378,499	392,967	3.50%	4.1%	4.2%	4.4%	3.8%
Manufacturing Inputs (grown at manufacturing employment)		(800)	(800)	(1,000)	(1,389)	(1,450)	(1,506)	0.0%	4.1%	4.2%	4.4%	3.8%
Construction Services(grows at forecast construction GRT)			Included in Estimates									
Total Deduction Manufacturing and Construction services		(800)	(800)	(1,000)	(1,389)	(1,450)	(1,506)					
Deductions For Food and Medical Hold Harmless	(2,179)	(4,200)	(4,200)	(6,525)	(8,947)	(11,476)	(14,102)					
TIDDS	(722)	(1,000)	(1,722)	(2,887)	(3,090)	(3,386)	(3,400)					
Adjusted GRT Estimate	320,111	332,011	327,603	337,552	349,124	362,187	373,960	2.3%	3.0%	3.4%	3.7%	3.3%

EXPENDITURE OUTLOOK

The process for estimating the appropriations of the General Fund and funds subsidized by the General Fund is relatively straightforward. The forecast period covers FY/17 through FY/21. For the current fiscal year ending June 30, 2017, expenses are projected using the original appropriation as a base. The base is then adjusted to account for subsequent appropriations by the City Council including $3.5 million in re-appropriated encumbrances. The assumption is that the departments will spend their full appropriations by the end of FY/17.

FY/18 estimated costs are, for the most part, derived independently of FY/17 estimates. The FY/18 forecast is fashioned using the latest available information, including actual position information updated in November with vacant positions assumed to be fully funded at the first non-probationary step. Additionally, all subsidized funds and other funds receiving transfers from the General Fund were analyzed independently before adjustments were made for this General Fund forecast. The FY/18 expenditure estimates do not reflect any administrative initiatives to balance to projected revenues. Projections for the current fiscal year will be updated prior to next year's budget being finalized. Any reversions identified at that time will be used for one-time costs in the subsequent fiscal year.

The forecast beyond FY/18 is largely driven by inflationary factors applied to the FY/18 numbers as the base. Those factors, detailed in Table A, are taken from the national forecast scenarios of IHS Global Insight except for some changes made to selected rates to better reflect local costs. Three separate scenarios of national and local economic activity are factored into the methodology to present a baseline, an optimistic, and a pessimistic scenario of anticipated spending. Table B includes the expenditure and revenue outlook together in a fund balance table for the General Fund. Table C summarizes those expenses by major category showing the percentage change in each.

Table A

BASELINE SCENARIO FACTORS	SHORT NAME	FACTORS FY/18	FY/19	FY/20	FY/21
CPI - All Urban Consumers, All Items	CPI-U	2.6%	2.6%	2.5%	2.5%
EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm	WAGES	2.9%	3.1%	3.1%	3.1%
Price Index Consumer Exp Medical Care	MEDICAL	1.9%	2.0%	2.0%	2.0%
PRICE INDEX - Consumer Expenditures, New Cars	NEWAUTO	0.5%	0.8%	0.3%	0.5%
PRICE INDEX - Consumer Exp, Transportation Services	AUTOREP	2.3%	2.3%	2.2%	2.4%
PRICE INDEX - Consumer Exp, House Oper, Natural Gas	NATGAS	2.0%	-1.6%	2.6%	1.5%
PRICE INDEX - Consumer Exp, Gasoline & Oil	FUEL	9.9%	10.0%	6.0%	6.5%
PPI - Fuels & Related Products, Electric Power	ELECT	0.4%	-0.3%	0.5%	0.3%
PRICE INDEX - Govt Consumption, Noncompensation	GOVT	2.5%	2.5%	2.5%	2.6%
PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts	TIRES	0.9%	1.0%	1.0%	1.0%
Growth of Gross Receipts Tax Revenue	GRT	3.0%	3.4%	3.7%	3.3%

TABLE B
FIVE YEAR FORECAST
GENERAL FUND - BASELINE SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES

($000's)	UNAUDITED ACTUAL FY/16	REVISED BUDGET FY/17	FORECASTS FY/18	FY/19	FY/20	FY/21
RESOURCES:						
Recurring Revenue	496,160	509,864	523,824	539,321	556,165	571,631
% Change Recurring Revenue		2.8%	2.7%	3.0%	3.1%	2.8%
Total Non-recurring	4,782	2,021	2,325	2,422	2,529	2,626
TOTAL REVENUES	500,942	511,885	526,149	541,743	558,694	574,257
% Change Total Revenue		2.2%	2.8%	3.0%	3.1%	2.8%
BEGINNING FUND BALANCE	63,309	61,009	42,968	23,585	2,849	(16,145)
TOTAL RESOURCES	564,251	572,894	569,116	565,328	561,542	558,111
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	486,388	512,929	533,144	552,820	565,302	580,226
% Change Recurring Appropriation		5.5%	3.9%	3.7%	2.3%	2.6%
Non-recurring Exp/App:						
One-time Items	16,854	16,997	12,388	9,659	12,386	9,659
Total Non-recurring	16,854	16,997	12,388	9,659	12,386	9,659
TOTAL EXPEND/APPROP	503,242	529,926	545,532	562,479	577,688	589,885
UNADJUSTED FUND BALANCE	61,009	42,968	23,585	2,849	(16,145)	(31,774)
ADJUSTMENTS:						
Encumbrances	(3,631)	0	0	0	0	0
Unrealized Gains on Investments	(408)	(408)	(408)	(408)	(408)	(408)
Other Accounting Adjustments	(103)	(87)	(87)	(87)	(87)	(87)
TOTAL ADJUSTMENTS	(4,142)	(495)	(495)	(495)	(495)	(495)
ADJUSTED FUND BALANCE	56,867	42,473	23,090	2,354	(16,640)	(32,269)
RESERVES:						
1/12th Operating Reserve	42,381	43,867	45,461	46,873	48,141	49,157
Reserve for the Cost of Labor	500	0	0	0	0	0
Increase to Reserve	1,000	1,200	1,400	1,600	1,800	2,000
Other Reserves	0	236	0	0	0	0
TOTAL RESERVES	43,881	45,303	46,861	48,473	49,941	51,157
AVAILABLE FUND BALANCE	12,986	(2,830)	(23,771)	(46,119)	(66,581)	(83,426)
1/12th Operating Reserve	41,937	44,161	45,461	46,873	48,141	49,157
Recurring Surplus/(Deficit)	9,272	(3,065)	(9,320)	(13,499)	(9,137)	(8,595)

TABLE C
EXPENSES BY MAJOR CATEGORY
($000's)

	ACTUAL FY/16	BUDGET FY/17	FY/18	% change	FY/19	% change	FY/20	% change	FY/21	% change
PERSONNEL	319,481	348,595	352,699	1.2%	362,256	2.7%	372,274	2.8%	382,607	2.8%
OPERATING	95,327	90,519	85,823	-5.2%	87,502	2.0%	89,390	2.2%	91,523	2.4%
CAPITAL	1,233	207	0	na	0	na	0	na	0	na
TRANSFERS	87,201	87,077	92,079	5.7%	93,725	1.8%	95,345	1.7%	97,542	2.3%
ADDITIONAL ITEMS FACTORED	0	3,528	14,930	na	18,997	27.2%	20,678	8.9%	18,214	-11.9%
GRAND TOTAL	503,242	529,926	545,532	2.9%	562,479	3.1%	577,688	2.7%	589,885	2.1%

This forecast does not assume any reductions in recurring expenses for FY/18 which drives a recurring gap between revenues and expenses. As shown in Table C, the total percentage increase in expenses peaks in FY/19, mostly due to assumed costs of bringing capital on-line, including streets, parks, and exhibits at the BioPark.

While the personnel category reflects only a 1.2% increase for FY/18 in the above table, it is understated due to the fact that a large portion of salary costs are included in capital costs reflected in the “Additional Items Factored”. Labor costs make up the majority of overall costs to bring new or expanded facilities on-line. That said, a 1% wage increase for all employees is included in Personnel shown above for FY/18. The out years grow at a larger rate because they are tied to the Employment Cost Index shown in the first table.

Some non-recurring items are included for the entire forecast period. The availability of one-time funds depends on prior year reversions and additional revenue. Non-recurring items are assumed to be discretionary and would be the first options for reductions should non-recurring revenue not be available. The table below shows what is included as non-recurring for FY/18.

Department	Purpose	Amount ($000's)
City Support	Transfer to Fund 305 for Vehicle Replacement	1,000
Family & Comm. Services	HUD Grant Repayment	1,154
Office of City Clerk	General and Runoff Elections	1,575
Planning	Transfer to Metro Redvt Fund 275 for prior year property taxes	200
Police	DOJ Compliance with Settlement Agreement	3,021
Various Departments	Risk Fund 705 Recovery	5,438
	TOTAL	12,388

A capital project, whether it is a new structure or an expansion of an existing footprint, often requires additional cost to operate. One of the most significant cost increases shown in this forecast is related to capital (or CIP) coming-on-line. Departments estimate a need for $7.3 million in additional funding to operate projects coming-on-line in FY/18. Including Transit, the estimates for FY/19 through FY/21 are $9.6 million, $11.0 million, and $11.5 million, respectively. The following table shows a detailed list of capital projects and the respective operating costs estimated to bring them on-line in the forecast period. Note that the costs are in total dollars and are independent of each other (not compounded).

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category *Department/Division*	Opening Date	FY 17 Budget	FY 18	FY 19	FY 20	FY 21
Animal Welfare Department						
Kennel D Project Phase II remodel Bldg operation costs: utilities & supplies (1872sf)			17,000	17,000	17,000	17,000
Additional Scope: Kennel Q additional bldg. part of Kennel D Project (sq 1940)		-	17,000	17,000	17,000	17,000
Total Animal Welfare		*$0*	*$34,000*	*$34,000*	*$34,000*	*$34,000*
Cultural Services						
Museums						
Albuquerque Museum History Exhibit Renovation	March 2015		28,119	28,119	28,119	28,119
Casa San Ysidro	June 2021		-	-	-	60,615
Collection Development	On-going		-	-	-	60,615
Bio Park Exhibits		350,000				
Otters	July/Aug 2017		146,323	136,373	136,373	136,373
Penguins	Oct/Nov 2017		181,680	222,240	222,240	222,240
Library Automation		-	21,000	21,000	21,000	21,000
Total Cultural Services		*$350,000*	*$377,122*	*$407,732*	*$407,732*	*$528,962*
Family and Community Services						
Pat Hurley Community Center			189,296	189,296	189,296	189,296
Dennis Chavez Community Center			151,540	151,540	151,540	151,540
West Gate Community Center			202,296	370,296	370,296	370,296
Sing Arrow Community Center		-	144,536	144,536	144,536	144,536
Total Family and Community Services		*$0*	*$687,668*	*$855,668*	*$855,668*	*$855,668*
Fire Department						
RESCUE 4- (4 Paramedic Lt, Paramedic Driver, 3 Driver positions) Recurring	Mid-Yr FY17	368,000	737,000	737,000	737,000	737,000
BLS Rescue Units (2) (8 firefighter positions) Recurring			1,226,000	1,226,000	1,226,000	1,226,000
District 9 Alternative Response Vehicle (4 Paramedics Lt. and 4 driver positions) Recurring.		-	-	729,000	729,000	729,000
Total Fire Department		*$368,000*	*$1,963,000*	*$2,692,000*	*$2,692,000*	*$2,692,000*
DMD/ Traffic Engineering Division						
Intersection Signalization			110,000	110,000	150,000	180,000
Albuquerque Traffic Management System/Intelligent Traffic Systems		220,000	330,000	360,000	396,000	438,000

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category *Department/Division*	Opening Date	FY 17 Budget	FY 18	FY 19	FY 20	FY 21
Street Light maintenance & marking/signage		330,000	1,000,000	1,000,000	1,200,000	1,200,000
Increase in electricity costs due to additional equipment and rate increases of 2%			250,000	250,000	250,000	250,000
New Street lighting staff, equipment and materials			300,000	300,000	320,000	340,000
Repairs and Maintenance			50,000	50,000	65,000	75,000
New Expanded Roadways			800,000	800,000	930,000	1,030,000
New drainage systems		-	350,000	350,000	400,000	450,000
TOTAL DMD		*$550,000*	*$3,190,000*	*$3,220,000*	*$3,711,000*	*$3,963,000*
Parks & Recreation Department						
Bosque Trail Development			50,609	50,609	50,609	50,609
Balloon Fiesta Park Improvements			15,000	15,000	15,000	15,000
Open Space Land Acquisition, Fencing & Protection			50,609	50,609	50,609	50,609
New Park Development & Land Acquisition		-	338,892	376,392	376,392	376,392
Total Parks & Recreation Department		*$0*	*$455,110*	*$492,610*	*$492,610*	*$492,610*
Planning						
Posse Software-Credit Card Fees-Cybersource			170,756	187,832	206,615	227,277
Route 66 Wayfinding signs			25,000	25,000	25,000	25,000
Eplan Software License/Maintenance Fees (DRB, DRC, EPC, ZHE, Board of Appeals)			49,187	49,187	49,187	49,187
Railyards Utilities Cost		15,000	1,500	1,650	1,815	1,997
Total Planning Department		*$15,000*	*$246,443*	*$263,669*	*$282,617*	*$303,461*
Senior Affairs						
1st Street Property(New)- Home Services		32,272	-	-	-	-
North West Multigenerational Center			-	-	1,077,672	1,077,672
North Domingo Baca Phase III (Gym)			-	170,709	170,709	170,709
Palo Duro Fitness Addition		-	26,943	116,610	116,610	116,610
Total Department of Senior Affairs		*$32,272*	*$26,943*	*$287,319*	*$1,364,991*	*$1,364,991*
Department of Technology and Innovation						
Infrastructure						
Symantec Backup Bundle Maintenance/Licensing		34,000	4,000	4,000	4,000	4,000
CDW-F5 Load Balancer w/ 3yr maint		10,000	-	-	-	-
Mitsubishi UPS batteries		-	-	-	25,000	-
CDW-Fortres CPU/1010/70 and controller for Kiosks		900	-	-	-	-
SHI- Fishing Box tool		1,200	-	-	-	-
SHI -Proof Point		55,000	12,000	12,000	12,000	12,000
HP 2600 NZ IPS PC Mgmt Project		20,000	-	-	-	-

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category *Department/Division*	Opening Date	FY 17 Budget	FY 18	FY 19	FY 20	FY 21
Secure - SmartFile		6,300	-	-	-	-
CDW Big 5 IP		35,000	14,000	14,000	14,000	14,000
ServiceNow Maintenance/Licensing		19,000	-	-	-	-
Oracle Encryption w/ 18 mo. Maint.		-	50,000	50,000	50,000	50,000
Parkplace Hardware maintenance		1,500	5,000	5,000	5,000	5,000
Mythics Oracle database appliance		-	-	13,000	14,000	15,000
CDW Veritas archiving		-	17,000	17,000	17,000	17,000
CDW HP Store Virtual 4730 Proline		-	-	5,000	5,000	5,000
SHI Windows Server Software Assurance		-	3,500	3,500	3,500	3,500
Applications			-	-	-	-
CloudFlare - DNS Proxy server		2,500	-	-	-	-
Latitude - GEO Cortex GIS		5,800	-	-	-	-
KACE Appliance		-	30,000	30,000	30,000	30,000
ERP			-	-	-	-
Transcepta		78,000	-	-	-	-
DLT - Treasury App User Licensing		14,000	-	-	-	-
Central Avenue Broadband/WiFi, Phase I		-	150,000	150,000	150,000	150,000
Total Department of Technology and Innovation		*$283,200*	*$285,500*	*$303,500*	*$329,500*	*$305,500*
Total General Fund Departments CIP Coming-On-Line		$1,598,472	$7,265,786	$8,556,498	$10,170,118	$10,540,192
Transit Department						
Subsidy to Fund 661 from General Fund (ART)		-	-	1,000,000	835,750	962,538
Subsidy to Fund 661 from General Fund (CUTC Platform Expansion)		-	-	2,400	2,520	2,646
Total Transit Department		*$0*	*$0*	*$1,002,400*	*$838,270*	*$965,184*
Total GF Subsidized CIP Coming-On-Line		$0	$0	$1,002,400	$838,270	$965,184
Total CIP Coming-On-Line		$1,598,472	$7,265,786	$9,558,898	$11,008,388	$11,505,376

REVENUES AND EXPENDITURES UNDER ALTERNATIVE SCENARIOS

Alternative scenarios help us understand how unanticipated events can influence the local economy and the City's budget. The local economy has a strong direct impact on Gross Receipts Tax (GRT) and construction related revenues.

The alternative scenarios are based on the October 2016 forecasts from the UNM BBER model from the Bureau of Business and Economic Research (BBER) and IHS Global Insight (IHS). IHS prepares an optimistic and a pessimistic scenario. These form the basis for our scenarios. BBER uses the results from the IHS alternatives to estimate the impact to Albuquerque and New Mexico. Previous sections were based on the baseline scenario which is assigned a probability of 65%.

The sections presented below provide revenue and expenditure estimates in separate sections on the optimistic and pessimistic scenarios.

The expenditures in these scenarios differ from the baseline in the use of the alternative inflation factors. The differences in the scenario on the expense side are relatively small compared to the differences in revenue.

Additionally, expenses generally increase faster in the optimistic case offsetting some of the gain in revenue. Likewise, in the pessimistic scenario expenses may grow more slowly offsetting some of the losses in revenue.

The changes in revenue are more substantial as the changes in employment have a large impact on the GRT revenue. The effects on available fund balance as shown in the following table are substantial.

Available Fund Balance by Scenario

	FY/18	FY/19	FY/20	FY/21
Baseline	(23,771)	(46,119)	(66,581)	(83,426)
Optimistic	(14,272)	(21,779)	(19,504)	(8,891)
Pessimistic	(35,831)	(73,543)	(107,981)	(130,567)

The sections on the following pages show the fund balance tables and revenue and expense summaries.

The last part of this section contains a summary of the IHS assumptions and detail on employment and other economic variables used in the forecast.

IHS gives this scenario a 15% probability of it occurring. This scenario assumes that the U.S. and European governments make efforts that improve the world economy. The U.S. and New Mexico economies grow at accelerated rates compared to the baseline.

The Albuquerque economy grows somewhat faster with employment growth of 1.9% in FY/17 or 0.2% above the baseline. Employment exceeds the baseline by 2,600 jobs in FY/21. Construction employment growth is well above the baseline with 1,600 more jobs added in the forecast. Residential housing permits increase and are 720 units above the baseline in FY/21. The unemployment rate drops to 4.4% by FY/19 well below the baseline 5.1%. This growth in employment and construction are stronger than the baseline and GRT growth is faster than the baseline and even after deductions for the hold harmless, manufacturing and TIDDs they show real recovery.

Even in this optimistic scenario, growth in revenue does not equal the growth in expenditures and the available fund balance continues to be negative in FY/18.

A table comparing the growth rates of change by scenario for other economic variables is included at the back of this section.

OPTIMISTIC SCENARIO INFLATION FACTORS

	2017	2018	2019	2020	2021
All Items	2.3%	3.3%	3.5%	3.2%	2.6%
Employment Cost Index-Wages & Salary	2.9%	3.1%	3.2%	3.3%	3.3%
Medical Care	1.4%	1.6%	1.6%	1.8%	1.8%
New Cars	-0.3%	0.6%	1.1%	1.1%	0.9%
Trasportation	1.9%	2.4%	2.4%	2.5%	2.4%
Natural Gas*	15.8%	2.2%	-1.2%	3.5%	2.1%
Gasoline & Oil	4.4%	-2.8%	2.9%	12.0%	6.6%
Electricity Chained Price Index**	11.2%	0.4%	-0.2%	0.7%	0.4%
PRICE INDEX-Govt Consumption Noncompensation	1.9%	2.5%	2.6%	2.8%	2.7%
Tires/Tubes/Accessories/Parts	0.3%	0.4%	0.5%	1.0%	1.1%

*adjusted for New Mexico

**electricity fuel escalator only

General Fund Revenues

	Budget	Five Year Forecast					Growth Rate				
	FY/17	FY/17	FY/18	FY/19	FY/20	FY/21	FY/17	FY/18	FY/19	FY/20	FY/21
Gross Receipts	332,011	329,094	342,979	360,602	378,358	392,917	2.8%	4.2%	5.1%	4.9%	3.8%
Taxes	110,398	111,027	112,848	114,121	116,393	118,344	1.8%	1.6%	1.1%	2.0%	1.7%
Shared	4,392	4,392	4,414	4,436	4,458	4,481	-7.3%	0.5%	0.5%	0.5%	0.5%
Permits	12,897	13,584	16,262	19,889	22,679	25,304	14.2%	19.7%	22.3%	14.0%	11.6%
Charges for Services	21,768	21,537	22,060	22,391	22,727	23,068	0.0%	2.4%	1.5%	1.5%	1.5%
Intra City	20,035	20,045	20,361	21,002	21,677	22,395	-1.5%	1.6%	3.1%	3.2%	3.3%
Misc	2,585	2,794	3,222	3,800	4,213	4,184	-26.4%	15.3%	17.9%	10.9%	-0.7%
CIP Funded	11,175	11,175	11,587	11,952	12,336	12,745	21.0%	3.7%	3.1%	3.2%	3.3%
Total Revenue	515,261	513,647	533,733	558,192	582,843	603,437	2.6%	3.9%	4.6%	4.4%	3.5%

FIVE YEAR FORECAST
GENERAL FUND - OPTIMISTIC SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES
($000's)

($000's)	UNAUDITED ACTUAL FY/16	REVISED BUDGET FY/17	FORECASTS FY/18	FY/19	FY/20	FY/21
RESOURCES:						
Recurring Revenue	496,149	511,726	531,382	555,703	580,215	600,694
% Change Recurring Revenue		3.1%	3.8%	4.6%	4.4%	3.5%
Total Non-recurring	4,782	1,921	2,351	2,489	2,627	2,743
TOTAL REVENUES	500,931	513,647	533,733	558,192	582,843	603,437
% Change Total Revenue		2.5%	3.9%	4.6%	4.4%	3.5%
BEGINNING FUND BALANCE	63,309	60,998	44,719	30,772	22,700	24,124
TOTAL RESOURCES	564,240	574,645	578,453	588,964	605,543	627,561
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	486,388	512,929	533,717	556,605	569,027	584,239
% Change Recurring Appropriation		5.5%	4.1%	4.3%	2.2%	2.7%
Non-recurring Exp/App:						
One-time Items	16,854	16,997	13,963	9,659	12,391	9,659
Total Non-recurring	16,854	16,997	13,963	9,659	12,391	9,659
TOTAL EXPEND/APPROP	503,242	529,926	547,680	566,264	581,419	593,898
UNADJUSTED FUND BALANCE	60,998	44,719	30,772	22,700	24,124	33,663
ADJUSTMENTS:						
Encumbrances	(3,631)	0	0	0	0	0
Unrealized Gains on Investments	(408)	(408)	(408)	(408)	(408)	(408)
Other Accounting Adjustments	(103)	(103)	(103)	(103)	(103)	(103)
TOTAL ADJUSTMENTS	(4,142)	(511)	(511)	(511)	(511)	(511)
ADJUSTED FUND BALANCE	56,856	44,208	30,261	22,189	23,613	33,152
RESERVES:						
1/12th Operating Reserve	42,381	43,867	45,640	47,189	48,452	49,492
Reserve for the Cost of Labor	500	0	0	0	0	0
Increase to Reserve	1,000	1,200	1,400	1,600	1,800	2,000
Other Reserves	0	236	0	0	0	0
TOTAL RESERVES	43,881	45,303	47,040	48,789	50,252	51,492
AVAILABLE FUND BALANCE	12,975	(1,095)	(16,779)	(26,600)	(26,639)	(18,340)
1/12th Operating Reserve	41,937	44,161	45,640	47,189	48,452	49,492
Recurring Surplus/(Deficit)	9,261	(1,203)	(2,335)	(902)	11,188	16,455

This scenario is based on the IHS pessimistic alternative that is assigned a probability of 20%. In this scenario the recovery slows, the strong dollar weakens exports and the Eurozone falls back into recession. The U.S. economy does not fall back into recession, but growth contracts about 1%. In Albuquerque the unemployment rate remains at 5.7% in FY/17 to 6.1% in FY/19 and 0.6% above the baseline. Employment growth is just above 1% throughout the forecast and below the baseline in all years. Total employment does not equal the FY/08 level until FY/20. Residential housing falters and declines to 463 units below the baseline in FY/18.

The slowdown in employment and construction has a substantial impact on the GRT and other revenues. Revenue slows in FY/17 and is only 2.1% in FY/18. Revenue growth in FY/19 is 1.9% below the baseline, though FY/20 and FY/21 post somewhat of a recovery.

Revenues grow slower than expenses and the available fund balance is a negative $38.3 million in FY/18. Assuming that the initial deficit is not dealt with, the deficit compounds to negative $140 million by FY/21. The underlying recurring imbalance decreases from a negative $18.4 million in FY/18 to a negative $16.7 million in FY/21.

Pessimistic Scenario Inflation Factors

	2017	2018	2019	2020	2021
All Items	2.7%	3.6%	3.0%	3.2%	2.8%
Employment Cost Index-Wages & Salary	3.3%	3.9%	2.9%	3.0%	3.1%
Medical Care	12.1%	3.5%	-3.0%	12.2%	8.8%
New Cars	-0.5%	0.7%	2.1%	1.8%	1.3%
Trasportation	1.2%	5.6%	3.5%	2.7%	3.4%
Natural Gas*	16.3%	2.9%	-2.0%	2.9%	1.8%
Gasoline & Oil	1.7%	3.3%	3.6%	2.6%	2.1%
Electricity Chained Price Index**	11.3%	0.6%	-0.4%	0.6%	0.4%
PRICE INDEX-Govt Consumption Noncompensation	2.1%	3.1%	2.8%	2.8%	2.7%
Auto Parts and Acessories	0.4%	1.3%	1.3%	1.3%	1.3%

*adjusted for New Mexico

**electricity fuel escalator only

General Fund Revenues

	Budget	Five Year Forecast					Growth Rate				
	FY/17	FY/17	FY/18	FY/19	FY/20	FY/21	FY/17	FY/18	FY/19	FY/20	FY/21
Gross Receipts	332,011	325,129	332,348	340,001	350,612	368,061	1.6%	2.2%	2.3%	3.1%	5.0%
Taxes	110,398	111,027	112,855	114,082	116,316	118,240	1.8%	1.6%	1.1%	2.0%	1.7%
Shared	4,392	4,392	4,414	4,436	4,458	4,481	-7.3%	0.5%	0.5%	0.5%	0.5%
Permits	12,897	12,220	12,530	11,734	13,903	16,155	2.7%	2.5%	-6.4%	18.5%	16.2%
Charges for Services	21,768	21,537	21,845	21,954	22,064	22,174	0.0%	1.4%	0.5%	0.5%	0.5%
Intra City	20,035	20,045	20,361	20,957	21,595	22,260	-1.5%	1.6%	2.9%	3.0%	3.1%
Misc	2,585	2,794	3,332	3,915	4,507	4,885	-26.4%	19.3%	17.5%	15.1%	8.4%
CIP Funded	11,175	11,175	11,587	11,926	12,289	12,668	21.0%	3.7%	2.9%	3.0%	3.1%
Total Revenue	515,261	508,319	519,271	529,004	545,744	568,922	1.5%	2.2%	1.9%	3.2%	4.2%

FIVE YEAR FORECAST
GENERAL FUND - PESSIMISTIC SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES
($000's)

($000's)	UNAUDITED ACTUAL FY/16	REVISED BUDGET FY/17	FORECASTS FY/18	FY/19	FY/20	FY/21
RESOURCES:						
Recurring Revenue	496,149	506,398	516,964	526,626	543,275	566,318
% Change Recurring Revenue		2.1%	2.1%	1.9%	3.2%	4.2%
Total Non-recurring	4,782	1,921	2,307	2,378	2,469	2,605
TOTAL REVENUES	500,931	508,319	519,271	529,004	545,744	568,922
% Change Total Revenue		1.5%	2.2%	1.9%	3.2%	4.2%
BEGINNING FUND BALANCE	63,309	60,998	39,391	9,349	(28,975)	(64,376)
TOTAL RESOURCES	564,240	569,317	558,662	538,353	516,769	504,546
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	486,388	512,929	535,350	557,669	568,762	583,003
% Change Recurring Appropriation		5.5%	4.4%	4.2%	2.0%	2.5%
Non-recurring Exp/App:						
One-time Items	16,854	16,997	13,963	9,659	12,383	9,659
Total Non-recurring	16,854	16,997	13,963	9,659	12,383	9,659
TOTAL EXPEND/APPROP	503,242	529,926	549,313	567,328	581,145	592,662
UNADJUSTED FUND BALANCE	60,998	39,391	9,349	(28,975)	(64,376)	(88,116)
ADJUSTMENTS:						
Encumbrances	(3,631)	0	0	0	0	0
Unrealized Gains on Investments	(408)	(408)	(408)	(408)	(408)	(408)
Other Accounting Adjustments	(103)	(103)	(103)	(103)	(103)	(103)
TOTAL ADJUSTMENTS	(4,142)	(511)	(511)	(511)	(511)	(511)
ADJUSTED FUND BALANCE	56,856	38,880	8,838	(29,486)	(64,887)	(88,627)
RESERVES:						
1/12th Operating Reserve	42,381	43,867	45,776	47,277	48,429	49,389
Reserve for the Cost of Labor	500	0	0	0	0	0
Increase to Reserve	1,000	1,200	1,400	1,600	1,800	2,000
Other Reserves	0	236	0	0	0	0
TOTAL RESERVES	43,881	45,303	47,176	48,877	50,229	51,389
AVAILABLE FUND BALANCE	12,975	(6,423)	(38,338)	(78,363)	(115,116)	(140,016)
1/12th Operating Reserve	41,937	44,161	45,776	47,277	48,429	49,389
Recurring Surplus/(Deficit)	9,261	(6,531)	(18,386)	(31,043)	(25,486)	(16,685)

Comparison of Scenarios—National and Local Variables

	SCENARIO			Difference		
Indicator/FY	**Optimistic**	**Baseline**	**Pessimistic**	**Optimistic**	**Pessimistic**	
GRT- Total (before deductions)						
2017	3.1%	2.7%	2.7%	0.4%	0.0%	
2018	5.3%	4.1%	3.3%	1.2%	-0.8%	
2019	5.9%	4.2%	3.1%	1.7%	-1.1%	
2020	5.6%	4.4%	3.8%	1.2%	-0.6%	
2021	4.4%	3.8%	5.5%	0.6%	1.7%	
Employment -Albuquerque MSA						
2017	1.9%	1.7%	1.6%	0.2%	-0.1%	**L**
2018	2.2%	1.6%	1.0%	0.6%	-0.6%	**O**
2019	2.0%	1.7%	1.4%	0.4%	-0.3%	**C**
2020	1.6%	1.6%	1.4%	0.0%	-0.2%	**A**
2021	1.2%	1.3%	1.1%	-0.1%	-0.2%	**L**
Unmployment Rate -Albuquerque MSA						
2017	5.6%	5.7%	5.7%	-0.1%	0.0%	
2018	4.9%	5.3%	5.7%	-0.4%	0.4%	
2019	4.4%	5.1%	5.7%	-0.8%	0.6%	
2020	4.2%	5.1%	5.8%	-0.8%	0.7%	
2021	4.3%	5.1%	5.9%	-0.7%	0.8%	
GRT Construction						
2017	5.8%	5.3%	5.7%	0.5%	0.3%	
2018	8.2%	5.7%	2.1%	2.5%	-3.6%	
2019	11.9%	7.1%	0.0%	4.8%	-7.1%	
2020	12.1%	7.9%	10.3%	4.2%	2.4%	
2021	9.9%	6.7%	12.0%	3.2%	5.3%	
MSA Construction Employment						**I**
2017	2.9%	2.9%	2.4%	0.1%	-0.4%	**D**
2018	2.9%	2.0%	-1.2%	0.9%	-3.2%	**I**
2019	4.5%	2.3%	-1.9%	2.1%	-4.3%	**C**
2020	5.2%	3.1%	3.2%	2.1%	0.1%	**A**
2021	4.9%	2.9%	5.8%	2.0%	2.9%	**T**
Residential Housing Permits-Inside City						**O**
2017	1,211	1,173	1,085	38	(88)	**R**
2018	1,593	1,418	955	175	(463)	**S**
2019	2,114	1,727	1,278	387	(449)	
2020	2,510	1,951	1,614	559	(336)	
2021	2,893	2,166	1,944	728	(221)	
Real GDP						
2017	2.0%	1.7%	1.0%	0.3%	-0.7%	
2018	2.8%	2.3%	-0.5%	0.5%	-2.8%	
2019	2.9%	2.2%	1.8%	0.7%	-0.4%	
2020	2.7%	2.2%	2.8%	0.5%	0.6%	
2021	2.6%	2.1%	2.2%	0.5%	0.2%	
Unemployment Rate						
2017	4.8%	4.9%	5.0%	-0.1%	0.2%	
2018	4.5%	4.7%	5.8%	-0.3%	1.1%	**N**
2019	4.1%	4.6%	6.1%	-0.5%	1.5%	**A**
2020	4.0%	4.6%	5.7%	-0.6%	1.1%	**T**
2021	4.0%	4.8%	5.5%	-0.7%	0.8%	**I**
Price Index Consumer Price Index-Urban Consumers						**O**
2017	2.3%	1.9%	2.7%	0.4%	0.8%	**N**
2018	3.3%	2.5%	3.6%	0.8%	1.1%	**A**
2019	3.5%	2.5%	3.0%	1.0%	0.5%	**L**
2020	3.2%	2.6%	3.2%	0.6%	0.6%	
2021	2.6%	2.4%	2.8%	0.2%	0.4%	
Interest Rates-Federal Funds Rate						
2017	0.8%	0.6%	0.9%	0.2%	0.3%	**I**
2018	1.4%	1.1%	0.8%	0.3%	-0.3%	**N**
2019	2.2%	1.9%	0.3%	0.3%	-1.7%	**D**
2020	3.0%	2.7%	0.3%	0.3%	-2.4%	**I**
2021	2.9%	2.8%	1.1%	0.2%	-1.6%	**C**
Interest Rates-Ten Year Treasury Bonds						**A**
2017	2.0%	1.8%	1.8%	0.2%	0.0%	**T**
2018	2.7%	2.4%	1.5%	0.3%	-0.8%	**O**
2019	3.4%	3.0%	1.2%	0.4%	-1.8%	**R**
2020	3.9%	3.6%	1.7%	0.3%	-1.9%	**S**
2021	3.8%	3.6%	2.4%	0.2%	-1.2%	
West Texas Intermediate Dollars per Barrel						
2017	52.8	47.4	60.1	5.3	12.7	
2018	49.0	52.1	62.4	(3.1)	10.2	
2019	50.9	60.5	57.4	(9.6)	(3.1)	
2020	62.2	71.9	69.5	(9.7)	(2.4)	
2021	67.9	77.9	78.3	(10.0)	0.4	

REVENUE COMPARISON
(In Thousands of Dollars)

	Pessimistic -Baseline					Optimistic-Baseline				
	FY/17	FY/18	FY/19	FY/20	FY/21	FY/17	FY/18	FY/19	FY/20	FY/21
Gross Receipts	(2,473)	(5,204)	(9,123)	(11,574)	(5,899)	1,491	5,427	11,478	16,172	18,957
Taxes	272	291	260	260	259	272	284	300	337	363
Shared	-	-	-	-	-	-	-	-	-	-
Permits	(1,364)	(1,929)	(3,927)	(2,119)	(420)	-	1,804	4,228	6,657	8,730
Charges for Services	-	(108)	(218)	(330)	(444)	-	108	219	333	450
Intra City	-	-	(28)	(37)	(39)	-	-	17	45	96
Misc	-	72	312	872	1,231	-	(38)	197	578	530
CIP Funded	-	-	(16)	(21)	(22)	-	-	9	26	55
Total Revenue	(3,566)	(6,878)	(12,739)	(12,950)	(5,334)	1,763	7,585	16,448	24,149	29,180
Recurring Growth	-0.7%	-0.7%	-1.1%	0.0%	1.5%	0.4%	1.1%	1.6%	1.3%	0.7%

US Macro Forecast Snapshot: October 2016

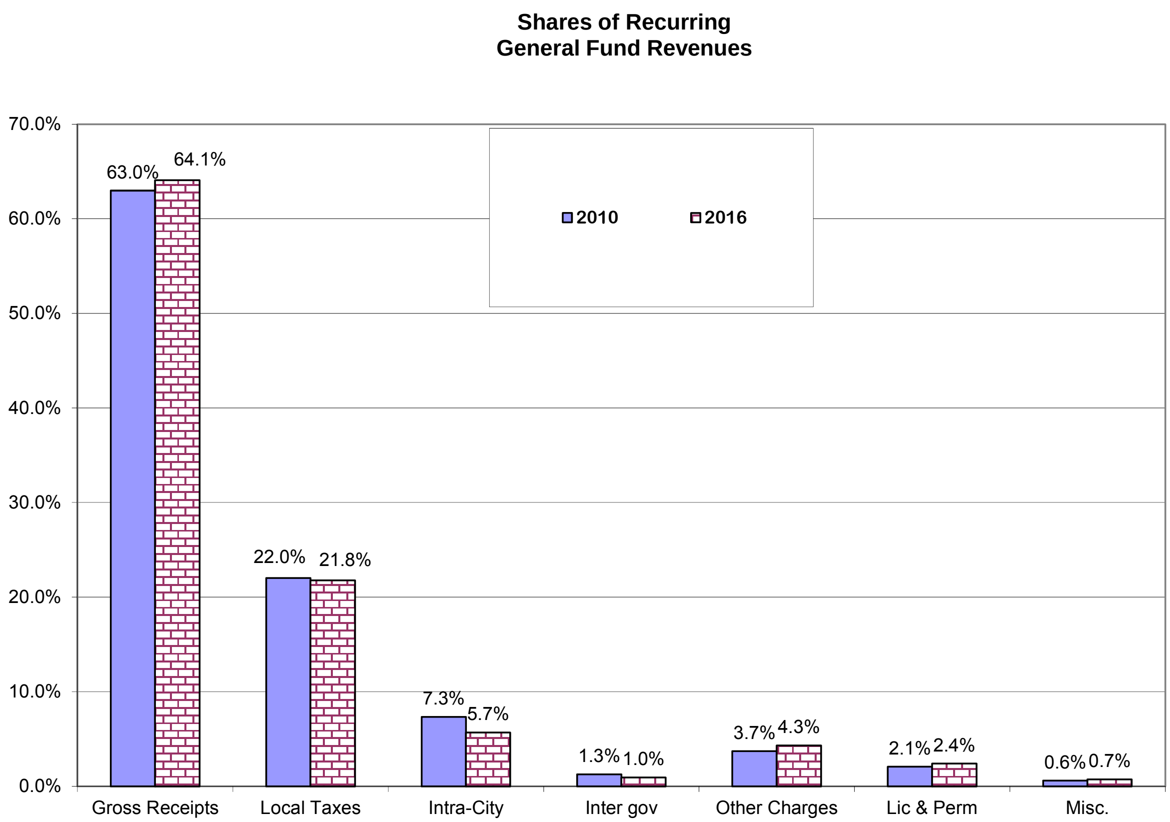
	Baseline (65%)	Pessimistic (20%)	Optimistic (15%)
GDP growth	Moderate growth, 1.4% in 2016 and 2.2% in 2017	Growth registers 1.3% in 2016 and just 0.2% in 2017, with a recession during the second half resulting from political risks and faltering productivity	Growth of 1.5% in 2016 and then 2.7% in 2017, as higher investment boosts productivity
Consumer spending	A key driver of growth, up 2.7% in 2016 and 2.5% in 2017	Expands 2.6% in 2016, before slowing to 1.1% in 2017 as economy stumbles	Economy leader as incomes rise, up 2.7% in 2016 and 2.9% in 2017
Business fixed investment	Edges down 0.1% in 2016, but rebounds 4.1% in 2017	Recedes 0.2% in 2016, before rising a modest 1.5% in 2017	Flat in 2016, but bounces back a solid 5.3% in 2017
Housing	Gradual improvement, with over 1.3-million starts by third-quarter 2018	Starts remain beneath 1.3 million until early 2020	Pace of building rises, with 1.6-million starts by fourth-quarter 2019
Exports	Inch down 0.1% in 2016, before increasing 2.3% in 2017	Contract 0.4% in 2016 and 1.8% in 2017, as dollar soars further and global weakness persists	Slip 0.1% in 2016, but rebound 4.2% in 2017 thanks to stronger foreign growth
Fiscal policy	Bipartisan agreements fund existing obligations without interruption, albeit without a "grand bargain"	Political paralysis prevents any meaningful fiscal action during succeeding administrations	Budget gap stabilizes, as higher tax revenues are enough to offset increased spending
Monetary policy	Federal Reserve hikes the federal funds rate in December 2016, ending the year at 0.75%	Fed accelerates rate increases through third-quarter 2017 in response to rising inflation, and then returns rates to near zero after the economy enters recession, raising them again in 2020 due to persistent inflation	The federal funds rate rises faster than in the baseline, surpassing 3.0% in 2019
Credit conditions	Gradually easing	Lending standards remain high	Rapidly easing
Productivity growth	Modest, averaging 1.3% during 2016–26	Stagnates and fails to improve rapidly, averaging 1.0% during 2016–26	Outperforms baseline as new technologies spur investment, averaging 1.7% during 2016–26
Consumer confidence	On a generally upward trajectory until third-quarter 2018	Plummets 19 points as economy enters recession in 2017, remains significantly below baseline throughout forecast interval	Exceeds baseline from 2017 onward
Oil prices (Dollars/barrel)	Brent crude oil averages $43 in 2016 and $52 in 2017	Brent crude oil averages $46 during 2016, then leaps to an average $69 in 2017 as US production declines	Brent crude oil jumps to $73 by second-quarter 2017, but retreats below the baseline in 2018 as higher prices attract more investment and boost supply
Stock markets	The S&P 500 regains strength, climbing 1.6% in 2016 and 8.5% in 2017	The S&P 500 plunges 6.1% in 2017 and hits a trough in first-quarter 2018.	The S&P 500 achieves 2.7% growth in 2016 and surges 15.1% in 2017
Inflation (CPI)	Headline CPI inflation starts picking up in fourth-quarter 2016 as oil prices begin to rise; core CPI inflation averages 2.3% in both 2016 and 2017	Demand-side growth sends headline inflation to peak of 4.4% in third-quarter 2017; core inflation never returns below the baseline	Core prices rise due to a tightening labor market, peaking at 3.1% in fourth-quarter 2018 and then falling gradually until 2022
Foreign growth	In 2016, Eurozone growth registers 1.6% while China's growth slows to 6.6%	Amid uncertainty related to Brexit, US major trading partners manage only 1.0% average gains between 2016 and 2018; problems in emerging markets become more pervasive	Both developed economies and emerging markets improve as a result of structural reforms in some struggling economies and European Central Bank's quantitative easing
US dollar	The inflation-adjusted dollar peaks in the third quarter of 2017, and then depreciates for the remainder of the forecast interval	Appreciates sharply until the end of 2017 and then depreciates for the rest of the forecast interval, falling below the baseline in 2019	World-leading growth causes appreciation against other currencies from first-quarter 2017 through third-quarter 2018

Source: IHS

REVENUE HISTORY

A history of major revenue sources for the General Fund from FY/10 to FY/16 is presented below. These numbers reflect a one-month accrual of tax revenues to comply with the tax revenue standard issued by the Governmental Accounting Standards Board in 1994. The FY/16 numbers represent unaudited numbers and may change. Total receipts in this period increased 9.3% or a compound annual rate of 1.5%. Recurring revenues for the same period showed annual growth of 1.8%.

The bar chart below compares the composition, by major revenue category, of General Fund recurring revenues in FY/10 and FY/16. The City's General Fund has become somewhat less reliant on the Gross Receipts Taxes and more reliant on local taxes (franchises and property tax). Licenses and permits have become less important primarily due to the fall in building permit revenues.



In the period from FY/10 to FY/16, the General Fund has been affected by several changes in revenue. There were some changes in tax rates. In FY/10 two mills in property tax was shifted from capital to operations. This added to a one mill shift in FY/09 and offsets in part a reduction of ¼ cent in GRT that occurred as 1/8th in FY/07 and 1/8th in FY/09. The following sections cover changes that occurred in the period FY/10 to FY/16 by category.

GENERAL FUND
HISTORICAL COMPARISON OF REVENUE SOURCES
($000'S)

REVENUE SOURCE	FY/10	FY/11	FY/12	FY/13	FY/14	FY/15	Unaudited FY/16	GROWTH FY/10 TO 16	COMPOUND ANNUAL RATE
GROSS RECEIPTS TAX	246,149	252,335	256,661	259,787	265,745	276,573	280,550	14.0%	2.2%
BASIC SERVICES	0	0	0	0	0	0	0		0.0%
GRT PUBLIC SAFETY	34,070	34,449	34,981	35,436	36,239	37,606	38,236	12.2%	1.9%
LOCAL COMPENSATING TAX	1,449	1,592	1,690	1,485	1,570	2,361	1,325	-8.6%	-1.5%
TOTAL GRT	281,668	288,376	293,331	296,708	303,554	316,540	320,111	13.6%	2.2%
OTHER LOCAL TAXES	98,056	99,827	104,779	104,957	105,273	107,542	108,010	10.2%	1.6%
LICENSES AND PERMITS	9,255	9,629	10,370	11,343	11,705	11,307	11,899	28.6%	4.3%
INTER-GOVERNMENTAL AID	5,626	5,179	4,837	4,750	4,808	4,327	4,739	-15.8%	-2.8%
INTRA-CITY CHARGES (1)	42,214	30,061	29,941	26,897	28,054	27,630	29,577	-29.9%	-5.8%
OTHER SERVICE CHARGES	16,540	17,979	19,758	20,599	22,301	20,841	21,537	30.2%	4.5%
MISCELLANEOUS	3,808	1,540	2,783	2,998	2,235	1,568	4,002	5.1%	0.8%
TOTAL REVENUES	457,168	452,591	465,799	468,252	477,930	489,756	499,875	9.3%	1.5%
LESS NON-RECURRING	11,869	3,034	3,724	2,330	3,199	4,836	4,210	-64.5%	-15.9%
RECURRING REVENUES	445,299	449,557	462,075	465,922	474,731	484,920	495,665	11.3%	1.8%

NOTES:
(1) Includes CIP funded positions and inter-fund transfers

Other Local Taxes

This category includes property taxes, franchise fees, and payment in lieu of taxes (PILOT). This revenue category slightly reduced its share of total recurring revenues from 22% in FY/09 to 21.8% in FY/16. Property tax revenues increased at an annual compound rate of 1.9%. There were no shifts in the tax that affected growth in this period. Property tax revenue growth has slowed in the past several years. This slowdown was due to several factors. Residential property values have declined and not recovered substantially, new residential construction is slow, and the Bernalillo County Assessor's downward adjustment to property value for "tax lightning". Tax lightning is the effect of a limitation on residential increases in assessments to an annual rate of 3%. In the past, as houses were resold, this limitation was no longer in place and there were very large reassessments to the new home owner. Due to a court case in 2009, the assessor reduced assessments on these re-sold homes to a 3% annual increase. This substantially reduced the residential tax base. This case was successfully appealed in 2012 and property values can now increase with their sale. However, the declines in home values with the recession will limit these increases. Property taxes distributed to the City for operational purposes held up due to yield control which boosted property tax rates enough to have increases in property tax revenue in FY/11 and FY/12. As of FY/12 rates were at a maximum and the yield control mechanisms will no longer increase rates. The residential tax base showed increases of 1.9% in FY/14, 2.8% in FY/15 and 2.6% FY/16. Commercial property has shown very limited new growth and existing values have declined with the recession. Since commercial property values are based on the income they can earn, the slowdown has reduced their earning capabilities. Commercial valuations were down 10% from FY/10 to FY/13, a 2% decline in FY/14 a 0.5% increase in FY/15 and a 1.3% decline in FY/16. Rates were already at a maximum on commercial properties, so yield control offered no relief. Total growth in FY/14 and FY/16 were limited by non-residential as well as yield control lowering residential rates.

Growth was 0.8% in FY/14, 1.2% in FY/15 and 2.5% in FY/16.
Franchise revenues in total grew at a compound annual rate of 0.4% for the period. The electric franchise had the strongest recurring growth with annual average growth of 3.7%. This was due mostly to increased rates in FY/11. Other franchise revenue declined substantially in FY/10 when NM Utilities, a private water company, was purchased by the Albuquerque Bernalillo Water Authority (Water Authority). Other franchise revenues now only include telecommunication franchises other than Century Link which is counted in the Telephone Franchise. Revenues from the water franchise increased at an average annual rate of 6.1%. In FY/15 there was $559 thousand of one-time revenue associated with changing to a modified accrual basis of accounting. The growth was mostly due to a series of rate increases beginning in FY/12. Through FY/11 average compound growth was about 1%, reflecting slower increases in housing starts and water conservation efforts. In FY/14 revenues declined by 8.2%; this was mostly a consequence of wet weather increasing conservation. PILOT, not including the Water Authority, had annual growth of 3.4% due mostly to an adjustment in GRT in FY/11.

Licensing and Permits

The share for this category was 2.1% in FY/10 and 2.4% in FY/16. The limited share is due to the fall in building permit and licensing revenue that occurred in FY/07 through FY/09. Since FY/10 building permits increased at an average annual rate of 7.7% but are still only 58% of the FY/06 level. In FY/12 and FY/13 revenues increased 16%. FY/14 and FY/16 were weak followed by FY/16 that increased at 15%. Other licenses and permits increased an average of 1.7% due primarily to the increased use of barricading permits on roads and charging the Albuquerque Bernalillo County Water Utility Authority for the permits. Additionally, a new food inspection ordinance increased restaurant permit fees in FY/11.

Intergovernmental Aid

Revenues from other governments not including GRT shared distributions accounted for 1.3% of General Fund recurring receipts in FY/10 and 1% in FY/16. Revenues declined 15.8% in this period due to losses of several shared revenue sources. The only recurring revenues are the municipal gasoline tax, State shared vehicle taxes and County shared revenues. The State stopped the cigarette tax revenues distribution in FY/11, a loss of approximately $400 thousand. In FY/12 the General Fund lost the State-shared revenues from DWI citations to be used for corrections facilities operations. These revenues were erratic and the State legislature reassigned this distribution to the County beginning in FY/12. In past years there were grants that were generally reimbursements for one-time expenses. These are now counted in charges for services. In FY/14 $108 thousand of revenue from the county to manage household hazardous waste was moved from the General Fund to the Solid Waste Enterprise fund.

Intra-City Revenues

These are revenues from internal service charges, indirect overhead, CIP-funded positions, and other inter-fund transfers, excluding PILOT. In FY/10 these accounted for 7.3% of recurring revenues and 5.7% in FY/16.

Revenues for CIP-funded positions increased substantially in FY/10 and FY/11 as both the Parks Department and the Department of Municipal Development made more use of CIP-funded positions. These positions are associated with capital projects for construction of parks, roads, storm sewer, and other construction projects in the CIP program. Some of this was offset by a reduction in CIP-funded positions at the BioPark in FY/13.

Interfund transfers in total can vary substantially due to one-time transfers from other funds. In FY/10, FY/11, FY/13, and

FY/16 the closing of projects in special assessment districts yielded transfers to the General Fund of $7.3 million, $2.3 million, 659 thousand and $1.3 million respectively. In FY/08 large transfers were due mainly to transfers from the newly created Photo-Enforcement Fund. Transfers from the Photo-Enforcement Fund were used to pay for the costs of operating the programs; largely the cost of the administrative hearing office. The program was discontinued in December 2011 and revenue is now limited to collection efforts for outstanding citations. In FY/14 there was a one-time transfer of $2.3 million from the Operating Grants Fund.

Revenues from internal service charges have decreased dramatically as the City either contracted out, or moved services to separate funds. In FY/09 revenues were about $1.6 million with most of the revenue coming from a contract the Parks and Recreation Department had to provide landscape maintenance at the Sunport. Revenues declined in FY/14 with the start of the phase out of the Sunport contract. In FY/16revenues were only $279 thousand.

Indirect overhead revenues in FY/10 were $12.5 million; in FY/16 revenues are estimated at $16.3 million. This increase is mostly due to changes to the indirect plan. Some of this is offset by reclassifying the IDOH from the Water Utility Authority to charges for services and rental agreements as the Authority is independent and no longer a separate fund in the City.

Other Charges (Charges for Services)

Revenues from other charges accounted for 3.7% of General Fund recurring revenues in FY/10 and 4.3% in FY/16. These revenues include entrance fees to City venues and charges to other funds and outside entities. Engineering fees and other construction related charges increased substantially and then fell as construction faltered. Engineering fees went from a high of $2.7 million in FY/06 to $541 thousand in FY/11. Revenues from charges for legal services, primarily from the Risk Management Fund, increased due to a rate increase in FY/10. This revenue in large part is dependent on the number of staff in the legal department and how much outside counsel for risk management cases they need to employ. In FY/12, the alarm ordinance amount increased to over one million dollars as all of the revenues- both fines and fees are now collected in the General Fund. In FY/11 the Metropolitan Court also began paying the City approximately $600 thousand for police security at the metropolitan court. Reimbursements from the County for library services in the unincorporated areas have remained relatively flat. The BioPark, that includes the zoo, aquarium, and botanic gardens, had revenues of $3.4 million in FY/12. With annual growth of 1.6% in this period, the BioPark was one of the few City venues to increase attendance during the recession. In FY/13 admission fees to the park were increased in September of the fiscal year and revenues increased to $4 million for the year.

Miscellaneous

This category has only a small share of recurring revenue and increased slightly from 0.6% in FY/10 to 0.7% in FY/16. One of the largest components of miscellaneous revenue is interest earnings. Interest earnings have fallen dramatically, from $3.3 million in FY/08 to $213 thousand in FY/14. There has been some improvement as investment policy has improved and short term interest rates have increased somewhat. In FY/16 interest earnings increased to $1.1 million, but over half of this is due to the inclusion of unrealized gains. Other source of revenue include rental of City property and fines. Rentals have remained relatively stable with increases at about the rate of inflation. Fines are primarily air quality fines related to dust control and have averaged around $150 thousand a year. In FY/14 there was one-time revenue of $381 thousand associated with the photo-enforcement program. This is from a collection program to collect unpaid fines associated with the now closed program. In FY/15 there was a large $1.5 million reduction for a one-time accounting adjustment.

Gross Receipts Tax

GRT remains the major contributor to the General Fund making up 64.6% of recurring revenues in FY/15. In FY/05, the City imposed a new ¼ cent tax for public safety. On January 1, 2000 the ¼ cent transportation tax was imposed. This replaced the ¼ cent quality of life tax that expired June 30, 1999. In January 2007 and July 2008 the ¼ cent tax basic services increment was removed in two ⅛ cent increments. The Transportation tax expired on December 30, 2009 and was reinstated beginning July 2010.

The following table provides a summary of the GRT from FY/06 to FY/16 as a revenue source for the City of Albuquerque. The locally imposed GRT consists of the municipal imposed ½ cent (two quarters), basic services ¼ cent, public safety ¼ cent, infrastructure $^{1}/_{16}$ cent and currently the transportation infrastructure ¼ cent. Only the transportation infrastructure tax is not in the General Fund. The transportation tax was imposed for ten years from January 2000 through December 30, 2009. An extension of the tax was passed in the October 2009 election, but didn't go into effect until July of 2010. Because of collection time and the City accrual of revenue, 11 months of the tax was counted in FY/11. This same quarter cent tax was previously used for quality of life and open space. In FY/07, ⅛ cent of the basic services tax was cut in January 2007. Due to the GASB accrual, seven months of revenue were actually booked in FY/07. In the FY/08 budget, the remaining ⅛ cent of the basic services tax was cut beginning in July 2008. In FY/09 one month of this tax was booked. In FY/09, the City began receiving a share of the compensating tax. The City's share in FY/09 was $694 thousand and was phased in to a larger percentage and was $1.5 million in FY/11. The distribution in FY/15 was $2.4 million but $361 thousand of this is non-recurring.

Gross Receipts Tax revenues, including shared compensating tax, in the General Fund declined by 1.5% from FY/06 to FY/15. The decline is due to the two ⅛ cent tax cuts in January 2007 and July 2008. In order to look at the growth in the tax base and ignore changes in tax rates and other technical changes, it is best to look at the one-percent state shared distribution. The one-percent distribution had annual growth of 0.9% in this period. In FY/12 growth was limited in part due to the imposition of an administrative fee of 3.25% on the food and medical hold harmless distribution. This is the first time an administrative fee impacted the state shared revenues. After adjusting for inflation the one-percent distribution in FY/15 is actually 10% below the amount in FY/06. The rapid growth in the period prior to FY/07 was offset by three negative years. FY/08 was down 0.5%, FY/09 was down 5.1% and FY/10 was down 6.0%. In FY/11 positive growth of 2.9% was achieved and the distribution increased in every year FY/12 to FY/15. Since the recession in real terms only FY/14, FY/15 and FY/16 had growth that exceeded the rate of inflation.

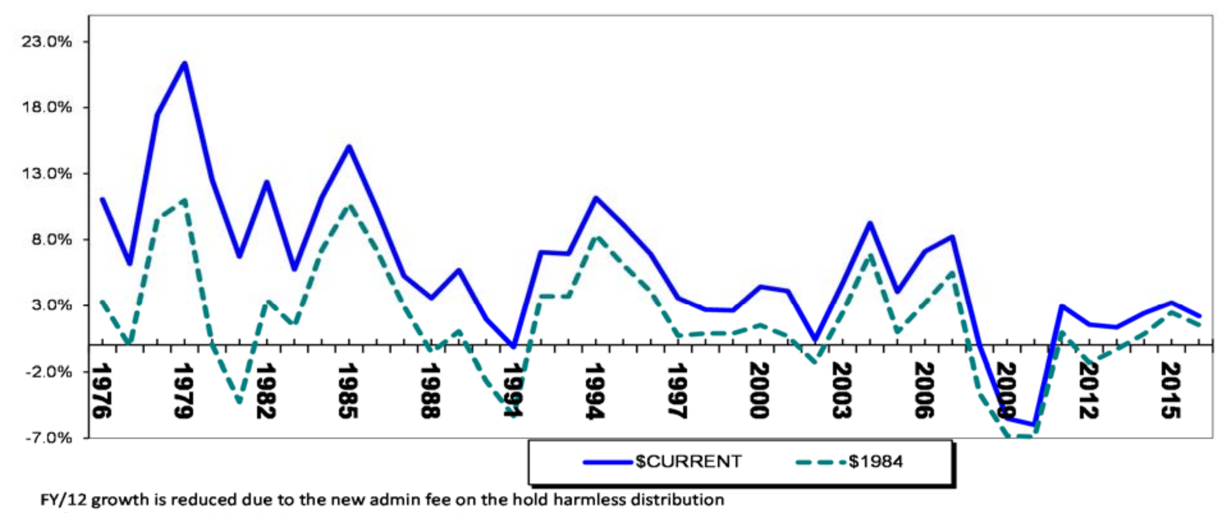
GENERAL FUND REVENUE HISTORY

GROSS RECEIPTS TAX REVENUES, FISCAL YEARS 2006 - 2016
($000's)

DETAIL ON GROSS RECEIPTS:	FY/06	FY/07	FY/08	FY/09	FY/10	FY/11	FY/12[6]	FY/13	FY/14	FY/15	FY/16	FY'S 07-16 PERCENT CHANGE	COMPOUND ANNUAL RATE
GENERAL FUND:													
MUNICIPAL IMPOSED 1/2 CENT	70,079	76,302	76,098	73,129	70,062	71,026	72,081	73,006	74,661	77,481	78,796	3.3%	0.4%
BASIC SERVICES													
first 1/8(4)	17,033	18,467	18,506	1,674	0	0	0	0	0	0		-100.0%	-100.0%
Second 1/8 (4)	17,033	10,984	0	0	0	0	0	0				-100.0%	-100.0%
PUBLIC SAFETY 1/4 CENT(3)	34,066	36,933	37,011	35,584	34,070	34,449	34,981	35,436	36,239	37,606	38,236	3.5%	0.4%
INFRASTRUCTURE 1/16 CENT (2)	8,542	9,236	9,243	8,734	8,199	8,443	8,576	8,685	8,895	9,237	9,387	1.6%	0.2%
	146,753	151,922	140,858	119,121	112,330	113,918	115,637	117,127	119,795	124,324	126,419	-16.8%	-2.0%
STATE SHARED RECEIPTS													
1% DISTRIBUTION	141,128	152,730	152,654	144,247	135,604	139,618	141,780	143,688	147,162	152,725	155,223	1.6%	0.2%
.225% DISTRIBUTION	31,759	34,370	34,353	32,456	30,516	31,420	31,906	32,336	33,117	34,366	34,931	1.6%	0.2%
Municipally Shared Compensating Tax				694	1,449	1,592	1,690	1,485	1,570	2,361	1,326	NA	
	172,887	187,100	187,007	177,397	167,569	172,629	175,375	177,509	181,849	189,452	191,480	2.3%	0.3%
TOTAL TAX RECEIPTS	319,640	339,022	327,865	296,518	279,899	286,547	291,013	294,636	301,644	313,776	317,899	-6.2%	-0.7%
PENALTY & INTEREST	2,057	2,057	2,344	1,928	1,769	1,829	2,318	2,072	1,910	2,765	2,212	7.6%	0.8%
TOTAL GENERAL FUND DISTRIBUTION(7)	321,697	341,079	330,209	298,445	281,668	288,376	293,331	296,708	303,554	316,540	320,111	-6.1%	-0.7%
MUNICIPAL IMPOSED 1/4 CENT													
TRANSPORTATION2000 (5)	34,066	36,933	37,011	35,036	19,660								
TRANSPORTATION2010 (5)						30,626	34,349	34,815	35,585	36,777	37,616		
	34,066	36,933	37,011	35,036	19,660	30,626	34,349	34,815	35,585	36,777	37,616	1.8%	-100.0%
TOTAL GROSS RECEIPTS TAX REVENUES(1)	355,763	378,012	367,220	333,481	301,328	319,002	327,680	331,524	339,138	353,318	357,728	-5.4%	-0.6%

(1) After adjustments in compliance with GASB.
(2) The Municipal Infrastructure Gross Receipts Tax went into effect July 1, 1992, with the first distribution in September..
(3) Went into effect July 2004, 11 months received in FY/05
(4) First 1/8 was cut effective January 2007, 2nd 1/8 cut was effective in July 2008
(5) 1/4 Cent Transportation Infrastructure Tax has two authorities (2000) in effect January 1, 2000 and sunset December 31, 2009 and 2010 July 1, 2010 to June 30, 2019
(6) An administrative fee of 3.25% was added to the food and medical hold harmless portion of all the GRT distributions and is the only admin fee on the state shared
(7) There was $1.68 million in one-time revenue due to an overpayment to the Winrock TIDD. Also, the first reduction in the food and medical hold harmles distribution in FY/16 of $2.3 million is counted as one-time revenue. Finally there were one-time revenues associated with compensating tax and penalty and interest of $826 thousand.

GROWTH IN THE GRT 1% DISTRIBUTION
% CHANGE OVER PRIOR YEAR, FY'S 1976-2016



FY/12 growth is reduced due to the new admin fee on the hold harmless distribution
FY/15 is recurring only (excludes one-time TIDD payback)

The year-over-year growth in the one-percent distribution received as State shared revenues is charted above in current dollars and inflation adjusted to constant 1984 dollars. Looking at the one-percent distribution avoids the problem of changes in tax rates. For FY/12 the newly imposed administrative fee makes a slight reduction of approximately 0.3% in that year. The tax mimics the performance of the Albuquerque economy. The gross receipts tax is an "elastic" revenue source, as revenues are sensitive to economic growth and inflation. The negative real growth in FY/81, FY/91, FY/02 and FY/09 corresponds to recessions. The recent recession shows a far larger decline than in any of the past recessions. The only other year to decline in current terms was Fiscal Year 1991, with a minimal decline of 0.2%. Since the recession only FY/11, and FY/14 through FY/16 have posted real growth in GRT.

The other item of note is that the size of percentage increases in GRT has decreased over the years. Part of this is due to the larger base of the economy and growth in surrounding regions, but the State has also reduced the tax base substantially by allowing many deductions from GRT.

<u>Changes to Gross Receipts Tax Base</u>

Between FY/99 and FY/16 the state legislature exempted or allowed deductions from the Gross Receipts Tax base that affect Albuquerque for:

- Prescription drugs,
- Medicare expenditures,
- Movie production costs,
- Hospitals including for profits,
- Construction materials purchased locally for use on Indian reservations,
- 40% deduction for jet fuels,
- Deduction for food and medical services,
- Commercial airline repairs,
- Three day gross receipts tax holiday in August,
- Nursing home and health provider deductions,
- Renewable energy deductions, Compensating tax credit for electric generation,
- Deductions for construction services, and
- Deductions for inputs consumed in the manufacturing process.

The State holds the City harmless on the deduction for food and certain medical services. The City receives a distribution from the State as if the deduction was not in place. Revenue to the State to offset this was generated by increasing all municipalities' taxes by 0.5%. This distribution will be phased out over 15 years beginning in FY/16.

In addition to these changes in the tax base the State has changed administrative fees. Most recently, in FY/12, the State added a 3.25% administrative fee on the hold harmless distribution on food and medical services. The deduction for manufacturing inputs is to be phased in over five years beginning with a half year in FY/13.

ACCURACY OF THE REVENUE ESTIMATES

A summary of information on the accuracy of the General Fund revenue estimates over the past ten years is presented below. The first set of columns reports the accuracy of the 4-month revised estimates, which are prepared in February and March of the year in question in conjunction with the compilation of the Mayor's Budget for the next fiscal year. The second set of columns present the error of the 6 month revised estimates that are prepared as part of the Five-Year Forecast presented in December during the fiscal year in question.

The final set of columns report the differences between the actual results and the budget estimates prepared in February and March of the prior year. In each case, the figures are presented for the Gross Receipts Tax, for total recurring receipts, and for non-recurring revenues. CIP-funded positions are excluded from the calculations because expenditures on these positions are always fully reimbursed, with no effect on General Fund balances.

The final table provides information on the accuracy of the revenue estimates by revenue source for FY/16.

ACCURACY OF THE GENERAL FUND REVENUE ESTIMATES

ESTIMATING ERROR (ACTUAL - ESTIMATED REVENUES)

(in $000s)

	MARCH REVISION 4 MONTH ESTIMATE		FIVE YEAR FORECAST 6 MONTH ESTIMATE		APPROVED BUDGET 16 MONTH ESTIMATE	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
FISCAL YEAR 2016 (Unaudited Results)						
Gross Receipts Tax	(2,443)	-0.8%	(3,643)	-1.1%	118	0.0%
Recurring Revenues Less CIP	(1,758)	-0.4%	(1,640)	-0.3%	141	0.0%
Non-Recurring	572	12.0%	777	16.2%	777	16.2%
FISCAL YEAR 2015						
Gross Receipts Tax	2,651	0.8%	5,349	1.7%	4,464	1.4%
Recurring Revenues Less CIP	1,041	0.2%	2,096	0.4%	981	0.2%
Non-Recurring	444	9.2%	939	19.4%	2,603	53.8%
FISCAL YEAR 2014						
Gross Receipts Tax	(1,016)	-0.3%	(14)	0.0%	4,180	1.4%
Recurring Revenues Less CIP	(1,355)	-0.3%	(763)	-0.2%	3,539	0.8%
Non-Recurring	1,870	58.5%	3,128	97.8%	3,128	97.8%
***GRT reflects only recurring GRT**						
FISCAL YEAR 2013						
Gross Receipts Tax	2,664	0.9%	2,664	0.9%	(5,615)	-1.9%
Recurring Revenues Less CIP	4,264	0.9%	4,412	1.0%	(1,393)	-0.3%
Non-Recurring	-	0.0%	1,145	49.1%	1,255	53.9%
FISCAL YEAR 2012						
Gross Receipts Tax	(1,753)	-0.6%	(1,753)	-0.6%	(1,386)	-0.5%
Recurring Revenues Less CIP	(983)	-0.2%	1,551	0.3%	1,044	0.2%
Non-Recurring	-	0.0%	2,539	68.2%	2,652	71.2%
FISCAL YEAR 2011						
Gross Receipts Tax	477	0.4%	1,931	1.7%	1,037	0.9%
Recurring Revenues Less CIP	880	0.2%	2,855	0.6%	(1,907)	-0.4%
Non-Recurring	-	0.0%	(731)	-24.1%	313	10.3%
FISCAL YEAR 2010						
Gross Receipts Tax	1,584	0.6%	(8,721)	-3.1%	(21,302)	-7.6%
Recurring Revenues Less CIP	328	0.1%	(11,195)	-2.6%	(28,818)	-6.7%
Non-Recurring	-	0.0%	849	7.2%	5,637	47.5%
FISCAL YEAR 2009						
Gross Receipts Tax	(3,212)	-1.1%	(3,212)	-1.1%	(21,090)	-7.1%
Recurring Revenues Less CIP	(5,426)	-1.3%	(5,425)	-1.3%	(25,121)	-6.0%
Non-Recurring	(1,300)	-13.9%	(771)	-8.2%	(771)	-8.2%
FISCAL YEAR 2008						
Gross Receipts Tax	47	0.0%	(3,773)	-1.1%	(11,388)	-3.4%
Recurring Revenues Less CIP	(4,232)	-1.0%	(8,346)	-2.0%	(23,663)	-5.6%
Non-Recurring	4,447	18.3%	2,214	9.1%	6,116	25.1%
FISCAL YEAR 2007						
Gross Receipts Tax	2,952	0.9%	9,507	2.8%	13,759	4.0%
Recurring Revenues Less CIP	2,603	0.6%	9,670	2.1%	12,564	2.8%
Non-Recurring	-	0.0%	7,626	41.8%	8,400	46.1%

ACTUAL AND ESTIMATED GENERAL FUND REVENUES FOR FY/15

All figures in $1,000's

	UNAUDITED	ESTIMATES								
	ACTUAL	2nd Revision (March 2016)			1st Revision (Dec. 2015)			Approved Budget (May 2015)		
REVENUE SOURCES:	FY/16	Estimate	Difference	Percent	Estimate	Difference	Percent	Estimate	Difference	Percent
Total GRT	320,111	322,554 ;4	2,443	0.8%	323,754	3,643	1.1%	319,993	(118)	0.0%
Property Tax	81,246	80,320	(926)	-1.1%	80,320	(926)	-1.1%	80,320	(926)	-1.1%
Franchise Tax-Telephone	1,633	1,639	6	0.4%	1,639	6	0.4%	1,703	70	4.3%
Franchise Tax-Electric	9,050	9,800	750	8.3%	9,630	580	6.4%	9,344	294	3.2%
Franchise Tax-Gas	3,507	3,908	401	11.4%	3,908	401	11.4%	4,367	860	24.5%
Franchise Tax-Cable TV ABQ	4,198	4,101	(97)	-2.3%	4,101	(97)	-2.3%	4,362	164	3.9%
Franchise Tax - Water Auth	7,338	7,300	(38)	-0.5%	7,100	(238)	-3.2%	7,384	46	0.6%
Franchise Tax-Telecom	209	220	11	5.4%	220	11	5.4%	220	11	5.4%
Other Intergovernmental Assistance	4,739	4,411	(328)	-6.9%	4,367	(372)	-7.8%	4,367	(372)	-7.8%
Building Permit Revenue	7,131	6,830	(301)	-4.2%	6,805	(326)	-4.6%	6,139	(992)	-13.9%
Permit Revenue	4,768	5,143	375	7.9%	5,121	353	7.4%	5,175	407	8.5%
Service Charges	21,537	21,682	145	0.7%	20,841	(696)	-3.2%	20,938	(599)	-2.8%
Fines & Penalties	209	120	(89)	-42.5%	120	(89)	-42.5%	120	(89)	-42.5%
Earnings on Investments	1,113	430	(683)	-61.4%	430	(683)	-61.4%	430	(683)	-61.4%
Miscellaneous	2,680	2,079	(601)	-22.4%	1,580	(1,100)	-41.0%	1,580	(1,100)	-41.0%
Transfers From Other Funds	3,769	3,803	34	0.9%	3,803	34	0.9%	3,803	34	0.9%
Payments In Lieu of Taxes	1,885	1,756	(129)	-6.8%	1,756	(129)	-6.8%	1,756	(129)	-6.8%
IDOH	16,296	16,700	404	2.5%	16,700	404	2.5%	16,700	404	2.5%
Services Charges-Internal	279	269	(10)	-3.4%	257	(22)	-7.7%	306	27	9.8%
Transfers For CIP Positions	9,234	10,345	1,111	12.0%	10,330	1,096	11.9%	10,330	1,096	11.9%
TOTAL REVENUE	500,931	503,410	2,479	0.5%	502,782	1,851	0.4%	499,337	(1,594)	-0.3%
LESS: NON-RECUR	4,782	4,210	(572)	-12.0%	4,005	(777)	-16.2%	4,005	(777)	-16.2%
RECURRING REVENUE	496,149	499,200	3,051	0.6%	498,777	2,628	0.5%	495,332	(817)	-0.2%

*The Cable Franchise includes a $1 million payment that was finally deposited in FY/17